REPORT TO THE CONGRESS

Need For Improved Administration Of The Davis-Bacon Act Noted Over A Decade Of General Accounting Office Reviews

B-146842

Department of Labor

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

JULY 14, 1971

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report presents our findings concerning the need for improved administration of the Davis-Bacon Act by the Department of Labor noted over a decade of General Accounting Office reviews.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of the report are being sent to the Director, Office of Management and Budget, and to the Secretary of Labor.

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

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D I G E S T

WHY THE REVIEW WAS MADE

In a series of reports issued between June 1962 and August 1970, the General Accounting Office (GAO) informed the Congress of the manner in which the Department of Labor--under the Davis-Bacon Act and related legislation--had made minimum wage rate determinations for selected major federally financed construction projects. The reports pointed out that the minimum rates prescribed by the Department were significantly higher than the prevailing wages in the areas and had substantially increased the costs of construction borne by the Federal Government.

Because of the large volume of wage determinations made by the Department--about 25,900 in fiscal year 1970--and the substantial dollar amount of federally financed construction contracts--about $28 billion in 1970--GAO sought to identify the basic shortcomings in the wage determination process and to recommend corrective actions beyond those taken by the Department in response to GAO's prior reports.

The principal objective of the Davis-Bacon Act was to protect communities from the depressing influences of lower wage rates at which workmen might be hired elsewhere and brought into the communities on construction work. This objective was to be accomplished through contract conditions requiring payment of not less than minimum wages. These minimum wages would be based on wages prevailing for corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work in the community in which the work is to be performed.

FINDINGS AND CONCLUSIONS

GAO's reviews made over the past decade covered wage rate determinations for 29 selected construction projects, including military family housing, low-rent public housing, federally insured housing, and a water storage dam. GAO estimated that, as a result of minimum wages' being established at rates higher than those actually prevailing in the area of the project, construction costs increased 5 to 15 percent. This amounted to about $9 million of the total $88 million construction costs involved in these projects. (See p. 9.)

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Higher wage rates not only increase the costs borne by the Federal Government but also can adversely affect the economic and labor conditions in the area of the project and in the country as a whole. (See p. 9.)

The inflationary impact of minimum wage determinations was highlighted by the recent action of the President of the United States. He temporarily suspended the Davis-Bacon Act and related legislation because of the severe inflationary pressures existing in the construction industry. (See p. 11.)

The concept of the legislation was that payment of prevailing wages would preclude the depressing of local wages but would not be inflationary and therefore would not bring about unreasonable increases in the cost of federally supported construction.

GAO believes that these objectives can and should be achieved through a more reasonable implementation of the act and by an improvement in the wage determination process in several respects. In particular, explicit guidelines and criteria are needed on the principal elements of adequate wage determinations.

The Department has to identify the classifications of workers for which determinations should be made. In some cases, the Department applied the wage rates of one classification to another classification without investigating the rates paid to each classification. (See p. 14.)

In defining the geographical area for which prevailing wages were to be determined, the Department, in some cases, has gone beyond the county where the project was located and applied rates from other, sometimes nonadjacent, counties or from another State having different labor conditions. (See p. 16.)

In many cases, the Department has not distinguished between different types of construction, such as commercial and residential, although significant variances exist between labor rates applicable to these two types of construction. Often wage determinations have applied the higher rates for commercial-type building construction and have disregarded the rates for residential-type construction. (See p. 17.)

The Department placed undue emphasis on wage rates established in prior determinations or rates included in collective-bargaining agreements, without verifying whether such rates were representative of the rates prevailing on similar construction in the area. These practices could be attributed to the fact that the Department had not compiled sufficient up-to-date and accurate information on prevailing basic wages and fringe benefits. (See pp. 20 and 21.)

The Department's wage determinations do not generally prescribe separate rates for helpers and trainees. GAO believes that, where local labor practices recognize these categories, separate rates would assist in lowering construction costs and encourage contractors to hire semiskilled and untrained persons on Government financed projects. Such a procedure

could be particularly desirable in areas of hard-core unemployment. (See p. 26.)

To obtain up-to-date wage information--including data on wage patterns and labor practices in specialized industries--the Department needs the cooperation of the Federal agencies which finance construction projects subject to minimum wage determinations. Efforts have been made recently by some of these agencies to provide the Department with needed wage data. Such cooperation would be increased materially by more formalized, continuing working relationships between the Department and the agencies. (See p. 29.)

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of Labor should:

--Formulate explicit guidelines and criteria covering the principal elements of an adequate wage determination.

--Implement improved procedures for collecting needed data on basic wages and fringe benefits. To supplement its own efforts, the Department should establish with the principal Federal agencies financing construction contracts a formalized and continuing working relationship for the exchange of pertinent wage information.

--Require that, where appropriate and in accordance with labor practices, helper and trainee classifications be included in the Department's wage determinations. (See p. 34.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

By letter dated April 2, 1971, the Assistant Secretary of Labor for Administration informed GAO that the Department had no comments to add to those made in response to prior GAO reviews. (See list in app. I.) He assured GAO that the Department was conscious of the need for continuing its efforts to find a practical solution to the accurate predetermination of prevailing wage rates.

In commenting on GAO's report to the Congress of August 12, 1970, the Department said it would seek to improve its wage determinations by

--more accurate determinations of prevailing wage rates for residential construction;

--more onsite surveys contingent upon its budgetary resources and available field staff; and

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--extensive revisions of the regulations, to clarify distinctions between different types of construction and to facilitate more adequate collection of relevant wage data. (See app. IV.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress may wish to consider a revision of the Davis-Bacon Act to increase the minimum contract cost (presently $2,000) which is subject to wage determination. GAO believes that an amount between $25,000 and $100,000 would be more representative of present-day costs of construction projects. GAO believes also that an increase in the minimum contract cost would substantially reduce the number of wage determinations to be issued by the Department of Labor and thereby lessen the administrative burden imposed on it (and on the contracting parties) without appreciably affecting the wage stabilization objectives of the act. (See p. 36.)

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ABBREVIATIONS

FHA	Federal Housing Administration
GAO	General Accounting Office
GSA	General Services Administration
HUD	Department of Housing and Urban Development

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CHAPTER 1

INTRODUCTION

The General Accounting Office has reviewed the policies, procedures, and practices of the Department of Labor for making determinations of minimum wage rates required to be paid to construction workers employed on federally financed construction projects under the provisions of the Davis-Bacon Act of 1931, as amended (40 U.S.C. 276a), and more than 50 related acts. The review was specifically directed to an evaluation of whether the act was being administered by the Department in a manner that would produce reasonable and realistic minimum wage rates applicable to federally financed construction contracts. The dollar value of construction contracts covered by wage determinations averaged $14.1 billion in fiscal years 1968 and 1969, amounted to $28 billion in fiscal year 1970, and is estimated to be $30.1 billion in fiscal year 1971.

As used in this report, the term "federally financed projects" refers to projects constructed under federally awarded contracts or financed, in whole or in part, under either Federal grants and loans or federally insured mortgage loans.

Starting in June 1962 we issued a series of reports to the Congress on our reviews of wage determinations for several major construction projects, pointing out areas needing improved administration by the Department. (See app. I.) In some cases remedial action was taken in response to our reports, and the Department informed us of several corrective steps in general administrative procedures that were under way or under consideration.

This report summarizes the basic shortcomings in the wage determination process revealed by our reviews and presents both our recommendations for further action by the Department and a proposed change in legislation for consideration of the Congress.

Certain of our findings corroborated those of Department employees and private consultants that resulted from their studies of the Department's wage determination practices under the Davis-Bacon Act.

By letter dated April 2, 1971, the Assistant Secretary for Administration, Department of Labor, in commenting on a draft of this report, advised us that the Department was conscious of the need for continuing its efforts to find a practical solution to the accurate predetermination of prevailing wage rates. The Assistant Secretary stated, however, that the Department had no comments to add to those made in response to our previous reviews of wage determinations. (See app. III.)

LEGISLATIVE AUTHORITY

Legislation requiring the payment of minimum wages to laborers and mechanics employed under federally awarded contracts for construction of public buildings and public works was first adopted in the Davis-Bacon Act of 1931. This act, as amended, requires that the advertised specifications for each contract in excess of $2,000 to which the United States is a party--for construction, alteration, and repair of public buildings or public works--state the minimum wages to be paid to various classes of laborers and mechanics.

The act provides that the minimum wages be based on wages determined by the Secretary of Labor to prevail for the corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work in the city, town, village, or other civil subdivision of the State in which the work is to be performed. The minimum wage determination includes the basic hourly rates of pay and, since 1964, the amount of fringe-benefits payments, if any.

The principal objective of the act was to protect communities from the depressing influences of lower wage rates at which workmen might be hired elsewhere and brought into the communities on construction work. This objective was to be accomplished through contract conditions requiring payment of not less than minimum wages based on wages prevailing in the communities to be protected.

The legislative history of the Davis-Bacon Act indicated that the Congress intended that the determined rates should be based on the wage rates established by private industry. The sponsors of the legislation offered

statements and assurances that it did not require new rates to be established but merely required contractors to pay the rates that had been established by private industry for similar construction.

The legislative proceedings indicated also that determinations of prevailing wages were expected to be no more than fact-finding tasks and that the Government would determine minimum wage rates to be paid by a contractor on the basis of findings pertaining to wage rates paid in the area. The concept of the legislation was that payment of prevailing wages would preclude the depressing of local wages but would not be inflationary and therefore would not bring about unreasonable increases in the cost of federally supported construction.

Legislation enacted subsequent to the Davis-Bacon Act extended minimum wage coverage to contracts for construction of federally assisted projects on the premise that such contracts, even though not awarded by the Government, similarly should protect locally prevailing wage standards. These laws apply to contracts for construction of projects involving Federal grants, loans, or mortgage loan insurance and usually specify that, in accordance with the provisions of the Davis-Bacon Act, the wages to be paid not be less than those determined by the Secretary of Labor to be prevailing in the localities where the construction is taking place.

WAGE DETERMINATIONS

The Secretary of Labor is responsible for wage rate determinations required by the Davis-Bacon Act and related laws. Pursuant to these provisions of law, the Secretary predetermines the wage rates and fringe benefits which are prevailing and which must be adopted in a construction contract as the minimum wage rates to be paid to mechanics and laborers employed on federally financed construction projects.

Prior to fiscal year 1970, the Secretary of Labor had delegated the responsibility for the operation of the wage determination program to the Solicitor of Labor. On July 1, 1969, this responsibility was transferred to the Wage and Labor Standards Administration, which was later renamed the Workplace Standards Administration.

Wage rate determinations under the Davis-Bacon Act are issued to the requesting Federal agency responsible for the award of a contract. These rates are then shown as minimum wages in the bid specifications and the final contract documents. The number of wage determinations issued yearly by the Department increased from 3,884 in fiscal year 1945 to 43,186 in fiscal year 1964. In fiscal year 1965, the Department started issuing area wage determinations covering several agencies and projects in an area and thereby reduced the number of wage determinations issued in that year to 25,408. In fiscal year 1970, the Department issued about 25,900 wage determinations and estimated that 26,200 wage determinations would be issued during fiscal year 1971.

The Department was authorized 91 employee positions and a budget of about $952,000 for fiscal year 1970 for wage determination purposes. For fiscal year 1971 the Department requested an increase to 127 positions and a budget of about $1.5 million; about $1.4 million was authorized.

In fiscal year 1970, about 58,000 contract awards totaling about $28 billion were covered by wage determinations. The Department estimated that, for fiscal year 1971, about 59,000 contract awards totaling about $30.1 billion would be covered by wage determinations.

CHAPTER 2

EFFECTS OF IMPROPER WAGE DETERMINATIONS

The prescribing of minimum wage rates for federally financed construction projects that are substantially higher than the wage rates actually prevailing for similar construction in the area of the project not only would increase the cost of Federal construction programs but also could have an adverse effect on the economic and labor conditions in the area and in the country as a whole.

INCREASED COST OF FEDERALLY FINANCED CONSTRUCTION

Our reviews of the Department's wage rate determinations for selected construction projects--including military family housing, low-rent public housing, federally insured housing, and a water storage dam--have shown consistently that the prescribed wage rates were higher than those prevailing for similar construction in the construction areas. We estimated that, because of the high rates, construction costs increased 5 to 15 percent for these projects. As a result we believe that the Federal Government and beneficiaries of federally financed projects have obtained less construction per dollar than have builders of projects not financed with Federal funds.

The wage rates prescribed by the Department are principal factors considered by contractors in estimating labor costs and in arriving at the amounts of their contract bids; the bid amounts, in turn, determine the cost of federally financed projects. In the case of housing projects financed with private funds but supported by Federal mortgage insurance, an increase in project costs imposed on the sponsors and/or users of the housing units may result in added mortgage risks to the Government.

Using the results of our previous reviews of specific wage determinations for 29 selected federally financed construction projects, we estimated that, of the construction costs of $88 million, about $9 million may have been paid in excess wages, which appeared to be attributable to

improper determinations of minimum wage rates. (See app. I for titles of issued reports.)

Of the wage determinations made by the Department for the 29 projects, 28 were for federally financed and insured housing projects constructed at a total cost of about $72.8 million. Of these 28 projects, 16 were for low-rent public housing, eight were for military family housing, and four were for federally insured housing. For the 28 projects, we estimated that extra construction costs of approximately $7.4 million would be incurred. These extra costs were largely attributable to the Department's prescribing as minimum wage rates for construction of residential-type housing projects the higher wage rates paid by contractors for construction of commercial-type buildings rather than the lower rates paid by contractors for construction of private residential housing.

The Department has recently recognized the need for an appropriate distinction between wage rates for commercial construction and those for residential construction, for purposes of determining minimum wage rates. The supporting data for the Department's budget request for fiscal year 1971 included estimates showing that potential savings of $60 million annually could be realized by the Federal Government if wage rates prevailing for residential housing construction were prescribed for such type of construction.

In addition to questioning the improper determination of minimum wage rates for housing construction projects, we questioned in our reviews certain wage determinations for heavy construction and highway construction work.

In our report to the Congress on wage rate determinations governing the construction of Carters Dam, Georgia, by the Corps of Engineers, we pointed out that the contract price of $15.4 million for the main dam work included about $1.7 million of extra labor costs which contractors had considered in their bids and which therefore had resulted in increased costs to the Government. These extra costs were attributable principally to the payment of high wage rates which were applicable to more hazardous and more specialized work than that actually required for the main dam work and to the use of higher wage rates which were

negotiated and paid by another contractor for work on the project during an unrepresentative brief period.

POSSIBLE EFFECT ON COMPETITION

Information obtained by us indicated that the determination of wage rates higher than those prevailing in the industry had discouraged some contractors from bidding on Federal construction contracts and had resulted in reduced competition. Some of the private contractors interviewed by us during our reviews of wage rates paid on housing construction projects told us that they would not bid on federally financed construction projects because of the high wage rates they would be forced to pay.

These contractors stated that the payment of the rates prescribed by the Department would cause a disruption in their labor forces, because the workers on federally financed construction projects would be paid hourly wage rates higher than the rates paid to workers on privately financed construction projects. They also pointed out hardship and morale problems among their workers, created by the reduction of wage rates after the federally financed projects were completed and the workers returned to lower paid work on private construction.

INFLATIONARY IMPACT

Prescribing minimum wage rates higher than those prevailing for similar construction in an area not only increases the cost of federally financed construction but also, because of the large volume of such construction, tends to have an inflationary impact on the construction industry and the national economy as a whole.

Concern has been expressed by Government officials and economists over the inflationary trend of construction costs and the need to control such costs in the fight against inflation. From February 23 to March 29, 1971, the President of the United States suspended the provisions of the Davis-Bacon Act because, in his judgment, they had encouraged the severe inflationary pressures experienced in the construction industry. When he reinstated the act, the President provided for labor-management boards to review collective-

bargaining agreements for each of the construction crafts and established the Construction Industry Stabilization Committee--composed of four representatives each from labor, management, and the public--to review the boards' findings on future collective-bargaining negotiations and agreements.

As highlighted by recent events which have focused attention on the economic impact of the Davis-Bacon Act and related laws, special efforts are needed to ensure that the legislation serves its intended purpose of protecting prevailing wage levels but does not become a vehicle for inflating construction costs. The following chapters discuss measures which, we believe, should be taken to improve the administration of the Davis-Bacon Act.

CHAPTER 3

NEED FOR IMPROVED PROCEDURES IN WAGE DETERMINATIONS

Our review of the wage determination activities of the Department of Labor showed that improvements were needed to ensure that minimum wage rates were prescribed for federally financed construction on the basis of actual prevailing rates determined in accordance with the requirements of the Davis-Bacon Act. These improvements include the issuance of explicit guidelines and criteria covering the principal elements of an adequate determination of minimum wage rates and fringe benefits and the establishment of adequate, up-to-date, and accurate information based on prevailing wages.

ELEMENTS OF A WAGE DETERMINATION

The Davis-Bacon Act, as amended, provides that the minimum wage to be paid construction workers:

> "*** shall be based upon the wages that will be determined *** to be prevailing for the corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work in the city, town, village, or other civil subdivision of the State in which the work is to be performed ***."

Therefore the Department must determine prevailing wages on the basis of four principal elements: (1) identify the classes of workers for whom the determination should be made, (2) fix the boundaries of the area for which the determination is to be made, (3) decide what projects are of similar character to the proposed project, and (4) determine what wages actually prevail.

Our review of the wage determination files and our inquiries regarding specific wage determinations showed that, in many instances, these principal elements were not adequately determined. Our findings and suggestions for needed improvements are discussed in the following sections of this chapter.

Corresponding classes of laborers and mechanics

In some cases minimum wage rates determined for a particular worker classification were applied as the minimum wage rates for another worker classification, without determining the work practices in the area. In other cases union-negotiated rates were prescribed for a number of different worker classifications on the basis that the wage rates found to be prevailing for one or more classifications were union rates, without determining the prevailing wage rates for the other worker classifications. The rates for the other classifications were based on prior determinations.

For example, in one case the Department prescribed that the wage rate paid to workers classified as "ornamental ironworkers" be paid to workers erecting chain link fences; yet, in private residential construction work in the area, chain link fences were installed by workers who were classified as laborers and foremen and who received much lower hourly wage rates ($1.25 to $2.75) than ironworkers ($3.65).

In another case, wage rates for carpenters were applied to the installers of insulation material, although in private construction work in the area persons doing such work were normally classified as insulation applicators and received a much lower hourly wage rate ($1.25 to $1.50) than carpenters ($3.55).

Further, we noted a determination of wage rates covering 38 building worker classifications and a number of power equipment operator classifications based on wage data collected for 11 of these classifications. The Department had determined that union wage scales were applicable to all classifications and had disregarded lower wages being paid to some of the crafts in the area because (1) such wages were not considered equitable for that worker classification, (2) the wage data obtained was not sufficient to change the union-negotiated rates previously prescribed, and (3) the wage rates being paid the craft were lower than rates recognized as prevailing for related crafts. We questioned the propriety of this determination, because the Department did not collect wage data for the other worker

classifications and did not adequately use the data collected for some of the 11 classifications.

The act and the implementing regulations clearly require the determination of prevailing wage rates for corresponding classes of laborers and mechanics. We believe that the Department should determine, in each case, the wage rates prevailing for each worker classification to be employed on a federally financed construction project. The local practices should be adequately recognized with respect to classification and pay scale of workers. Rates should not be established for groups of classifications and rates for one classification should not be applied to another classification. Our reviews have shown that failure to identify each class of worker and to determine its local pay scale often has resulted in the application of higher rates than those that actually prevailed in the locality.

Area to be considered in determining prevailing wage rates

The act and implementing regulations provide that the area to be considered in determining prevailing wage rates be the city, town, village, or other civil subdivision of the State in which the work is to be performed. The regulations provide further that, if no similar construction projects have been undertaken within the area in the past year, wage rates paid on the nearest similar construction may be considered.

In June 1962 in testimony before the Special Subcommittee on Labor of the House Committee on Education and Labor, the Solicitor of Labor pointed out the Department's views on the legislative provisions regarding determination of the area, as follows:

> "The Department as a practical matter does not believe that these terms necessarily restrict our consideration to a political subdivision but simply specify that the area of consideration should be large enough to yield an adequate factual basis for each wage determination, yet be small enough to reflect only the wages and practices of the area surrounding the location of the proposed project."

In certain instances the Department has gone beyond the county in which the project was located, and even beyond the adjacent counties or to another State, with the result that rates from areas having different labor conditions have been applied. This procedure has permitted the application of rates from noncontiguous counties and the use of union rates in nonunionized areas.

Our report to the Congress[1] on our review of the wage rate determinations for federally financed building construction in selected New England areas pointed out that the Department had not collected data showing wages actually paid in the areas where the work was performed--in the States of Maine, New Hampshire, and Vermont--adequate to permit proper determinations of prevailing rates for certain worker classifications. In regard to one worker classification (power equipment operator), the Department applied the union-negotiated rates being paid in the Boston, Massachusetts area, disregarding the lower wage rates paid on private construction in the project area.

One of the reasons the Department has gone to other than adjacent counties or to other States to determine prevailing wage rates is that some of the workers were to be imported from such areas for employment on the federally financed construction project. The use of wage rates from another area, however, appears not to be in accord with the intent of the act, which was to maintain the local wage rate structure and not to raise or lower local wages on the basis of rates prevailing in other areas.

Identification of construction projects of a similar character

To determine prevailing wage rates, the Department, in its regulations, has classified construction into three general categories--building construction, heavy construction, and highway construction. We believe that, for many construction projects, this classification has been too broad for purposes of proper wage rate determinations,

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[1] B-146842, January 26, 1965.

especially in the category of building construction. In other cases the Department did not make proper distinctions between the categories outlined in the regulations.

The regulations have not distinguished between different types of building construction projects, such as commercial and residential, although in the private construction industry significant variances exist between labor practices and rates applicable to these two types of construction. As a general practice, the Department has prescribed in its area wage determinations the rates paid for commercial building construction and has applied the rates to such different building projects as single houses, garden-type apartments, high-rise apartments, schools, barracks, hospitals, and office buildings.

The Department has considered most federally financed housing construction to be similar to the construction of commercial-type buildings and has based the residential construction wage determinations on commercial construction wage rates. In our previous reviews of wage determinations for residential-type construction, however, we found that, in the area where the federally financed projects were being constructed, lower wage rates prevailed for similar privately financed housing.

As a result of our reported findings, the Department has changed its position and has intensified its surveys of wage rates paid in the housing construction industry. In the congressional hearings on the Department's budget request for fiscal year 1971, representatives of the Department stated that its onsite wage surveys confirmed the erroneous use of commercial construction or union-negotiated rates for construction of residential housing.

With respect to nonresidential construction, our review showed that the Department had not always adequately recognized that different wage rates were prevailing on special types of building construction, such as light commercial construction, school construction, and hospital construction, and on special types of heavy construction, such as dams, tunnels, and canal locks.

With respect to heavy construction, our report to the Congress[1] on wage rate determinations for the construction of a dam pointed out that the minimum wage rates prescribed by the Department were excessive and were not based on similar construction work. The rates were based generally on higher wages paid by contractors for hazardous and specialized work on a diversion tunnel, whereas the construction of the main dam did not call for this type of work.

The inadequacy of the categorization of federally financed construction into only three general categories (building, heavy, and highway construction) has been most evident where the Department has issued a wage determination for a general construction category for a specific geographical area, such as one or more cities, counties, or military installations. If the contracting agency does not obtain a specific wage determination for the project to be constructed in such a situation, the contractor will be forced to pay the wage rates prescribed for the general construction category, regardless of whether prevailing rates for the specific type of construction are lower than the rates determined by the Department.

Our review showed that some wage determinations had not followed the categorization prescribed in the regulations. Some building construction rates had been prescribed for federally financed heavy and highway construction work, although other heavy and highway construction work in the area called for lower pay rates.

In one case, although it was the practice in the area to pay lower heavy construction wage rates for site preparation work connected with private building construction, the Department established the higher building construction wage rates as the minimum wage rates for certain crafts for heavy construction and for federally financed housing construction.

For the construction of a parkway, the Department's determination prescribed building construction wage rates

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[1] B-156269, December 14, 1966.

as prevailing instead of the rates applicable to highway construction. After we questioned this determination, the Solicitor of Labor informed us that further review by his staff showed that the wage data on which this determination had been based were incorrect. Different rates were found to be prevailing for paving construction work in the county, and these rates subsequently were incorporated in determinations for other paving work in the area.

We believe that, to ascertain rates applicable to construction of a similar character, appropriate consideration must be given to local labor practices and possible variations in workers' wages due to type, size, and complexity of construction. Our review showed generally that improper wage rates had been prescribed by the Department as prevailing in many cases because the characteristics of a proposed construction project had not been adequately analyzed.

DATA BASE FOR DETERMINING PREVAILING WAGE RATES

The Department's files often did not contain sufficient factual wage payment data on the rates paid on specific non-Federal construction projects. As a result minimum wage rates were prescribed, without further verification, on the bases of wage rates established in prior Department determinations or included in collective-bargaining agreements.

The Department's regulations provide that various types of information be considered in making wage rate determinations and that the determination of prevailing wage rates be based principally on the wage rates actually being paid in the area on other construction projects similar to the federally financed construction. The need for factual wage data was expressed by the Solicitor of Labor in 1962 in testimony before the Special Subcommittee on Labor of the House Committee on Education and Labor, as follows:

> "It is fundamental in the wage determination process that each decision is based upon data showing that the rates determined as prevailing are those actually being paid in the locality of the proposed work on projects of a character similar. It is necessary that the Department have information as to *** the hourly wage rates paid laborers and mechanics employed thereon, and the number of workers employed in each classification. ***"
>
> * * * * *
>
> "*** What we like first and foremost is payment information. We want to know not somebody's estimate of what the wages are, but we want the facts as to what wages are paid to how many employees on what kind of a project. ***" (Underscoring supplied.)

Rates from prior determinations

It appears from our review that the Department has placed undue emphasis on prior wage determinations as the

bases for subsequent wage determinations, even though the prior wage rates may not have been representative of the rates being paid on similar construction in the area.

The legislative history of the Davis-Bacon Act indicates that the determination of minimum wage rates for federally financed construction should be based on the rates established by private industry for similar construction. The continued use of rates previously determined, regardless of whether they are representative of the wage rates prevailing on similar private construction in the area, may establish special Federal wage rates higher than the prevailing rates.

In prior reports issued on this subject, we pointed out that, when unrealistic wage rates are prescribed for federally financed construction projects, the error may be compounded by using such previously prescribed rates as bases for new wage rate determinations. Although we see no objection to the Department's using wage rate information obtained from contractors working on federally financed construction, we believe that, to be a valid source of information for determining new wage rates, the rates being paid by such contractors should be representative of wages prevailing in the area.

Rates from collective-bargaining agreements

Many of the wage rates prescribed in wage determinations were based on the union-negotiated rates covered in collective-bargaining agreements. Union-negotiated rates generally were higher than the rates paid to nonunion labor but frequently were applied by the Department without regard to whether similar construction in the area had been performed at lower rates.

Department representatives advised us that wage payment data were required as support for the rates shown in collective-bargaining agreements before these rates were recognized as prevailing in an area. We found, however, that in many cases the Department had accepted the union-negotiated rates as the prevailing rates without obtaining supporting data that such rates actually were paid on the various types of construction projects in the area.

USE OF 30-PERCENT RULE

The Department's application of the so-called 30-percent rule--using the rates paid to at least 30 percent of each classification of workers to be covered in the determination--as a method of determining the prevailing wage rates in an area has led to some unrealistic wage determinations and to inequities among the contractors and workers affected thereby. We believe that these cases show a need for a more equitable rule.

The Code of Federal Regulations (29 CFR 1.2(a)) defines "prevailing wage rate" as the rate of wages paid in the area in which the work is to be performed to the majority of those employed in each classification on similar construction in the area. When the majority is not paid at the same rate, the prevailing rate shall be considered to be the rate paid to the greater number, which would be at least 30 percent of those employed. If less than 30 percent of those employed receive the same rate, then the average rate shall be considered to be the prevailing rate.

The use of the 30-percent rule has resulted, in some cases, in the determination of minimum wage rates significantly higher or lower than the rates actually paid to the majority of the workers engaged in similar construction in the area.

For example, the Department determined a wage rate of $4.25 an hour to be prevailing for carpenters in an area, on the basis of the results of a wage survey of eight construction projects in the area. The survey showed that, of 102 carpenters, 31 were paid an hourly wage rate of $4.25 and 71 were paid hourly wage rates between $2.50 and $4, as follows:

Number of carpenters employed	Hourly wage rate paid
31	$4.25
1	4.00
9	3.50
9	3.25
1	3.20
15	3.00
19	2.75
17	2.50
102	

In prescribing the $4.25 rate paid to 30 percent of the workers as the prevailing rate, the Department gave no consideration to the lower rates being paid to 71, or the majority, of the 102 workers. Any contractors who, at the time of the wage survey, were employing carpenters at these lower pay rates would have had to increase the carpenters wages to the $4.25 level if the contractors obtained work on federally financed construction--bringing about a significant inflation in construction costs in the area.

In another area, use of the 30-percent rule led to adoption of the lowest pay rate as the prevailing rate. The Department determined the wage rate of $2.70 an hour to be prevailing for electricians, on the basis of results of a wage survey which showed that six out of 16 electricians were paid that rate. The 10 other electricians were paid rates between $3 and $4.40 an hour. The various wage rates paid the 16 electricians follow.

Number of electricians employed	Hourly wage rate paid
1	$4.40
1	4.25
3	4.00
4	3.90
1	3.00
6	2.70
16	

In prescribing $2.70 as the minimum hourly rate, the Department gave no consideration to the higher wage rates paid to 10, or the majority, of the 16 workers covered by the wage survey. The contractors employing these higher paid electricians were placed at a significant competitive disadvantage when bidding for federally financed construction work, unless they were able to lower the wages or otherwise absorb the higher wage costs.

A representative of the Department's Division of Wage Determinations informed us in January 1971 that the Department had been considering alternatives to the 30-percent rule and that, if found appropriate, a revision would be included in the proposed new regulations for administration of the Davis-Bacon Act.

DETERMINATION OF FRINGE BENEFITS

An amendment to the Davis-Bacon Act, enacted on July 2, 1964, provides that the term "prevailing wages" include fringe benefits, such as medical, retirement, vacation, or any other bona fide benefit payments and contributions made to or for construction workers in the area.

Our review indicated that the Department, for the most part, had determined fringe benefits by reference to collective-bargaining agreements, without obtaining adequate supporting documentation showing that these fringe benefits were actually prevailing on similar construction in the area. In some instances this practice has placed the Government in the position of establishing fringe benefits where none prevailed and has increased the cost of federally financed construction in these areas.

During the 1963 hearings before the House Committee on Education and Labor concerning the proposed fringe-benefits amendment to the Davis-Bacon Act, the Solicitor of Labor, in testifying as to how the Department would implement the determination of fringe benefits, stated that the Department would first determine the fringe benefits in about 100 cities in the United States from which the Department gathers union wage scale information and thereafter would determine the fringe benefits for as many other areas as possible.

We were advised by representatives of the Department that the determination of fringe benefits was directly related to whether the basic wage rates were union-negotiated. If the union-negotiated wage rates were determined as prevailing, the fringe benefits were taken directly from negotiated agreements, without supporting documentation that such fringe benefits were actually prevailing on similar construction in the area.

Our review revealed that some fringe benefits had been determined to be prevailing for certain labor classifications by application of the 30-percent rule, even though the majority of workers employed in these classifications apparently had not been paid any fringe benefits.

For example, for one county in Virginia the results of a wage survey made by the Department showed that 36 electricians working on building construction projects were paid varying wage rates, ranging from $3 to $4 an hour, as follows:

Number of electricians employed	Hourly wage rates paid
2	$3.00
6	3.25
5	3.50
1	3.65
8	3.75
14	4.00
36	

The survey showed that the 14 electricians receiving the hourly rate of $4 also received fringe benefits; therefore, in applying the 30-percent rule, the Department determined that $4 was the prevailing rate and that the corresponding fringe benefits were prevailing in the area. As a matter of fact, however, 22, or the majority, of the 36 electricians included in the survey received an hourly rate of less than $4 and did not receive fringe benefits.

HELPER AND TRAINEE CLASSIFICATIONS IN WAGE DETERMINATIONS

The Department generally has not prescribed separate wage rates for helpers and trainees in its minimum wage determinations. In certain situations, particularly where the union agreement for an area provided for a helper classification, the wage determination has contained a separate rate for such a classification. We believe that the inclusion of separate rates for helpers and trainees in wage determinations, where local labor practices recognize these semiskilled and untrained worker classifications, would assist in (1) lowering the cost of construction contracts by permitting construction contractors to submit their bids on the basis of lower wage rates where applicable and (2) encourage the employment and on-the-job training of

semiskilled and untrained persons by construction contractors working on Government-financed projects.

The Davis-Bacon Act and the Department's regulation regarding worker classifications refer only to laborers and mechanics. The Department's regulation (29 CFR 5.5(a)(4)) provides for an apprentice classification, but this classification does not cover semiskilled or unskilled helpers or trainees outside a recognized apprenticeship program. The regulation states that, to receive an apprentice's wage rate, the employee must be registered with a State apprenticeship program recognized by the Department's Bureau of Apprenticeship and Training.

The use of trainees on construction projects is a relatively new approach advocated in the construction industry, to help train workers through means other than the regular apprenticeship program. The President's Committee on Urban Housing, consisting of industrialists, bankers, labor leaders, and specialists in urban affairs, in a 1968 report to the President entitled "A Decent Home" recommended that a trainee classification be recognized in the Davis-Bacon Act as part of the approved training programs for preparing workers to enter regular employment in the building trades.

We believe that the recognition of separate helper and trainee classifications could be accomplished either by an amendment to the Davis-Bacon Act, as proposed by the Committee, or by an appropriate provision in the Department's regulations, that minimum wage rates for helpers and trainees be prescribed in all future Department wage determinations, provided that they are in accordance with the labor practices in the area for similar construction. Such a procedure should achieve lower construction costs and encourage the employment and on-the-job training of semiskilled and untrained persons and could be particularly desirable in areas of hard-core unemployment.

POTENTIAL FOR IMPROVING COLLECTION OF WAGE DATA

In our opinion, the inadequacies in the Department's procedures for making wage rate determinations have shown a need for conducting more frequent and thorough onsite wage rate surveys to provide the Department with pertinent information concerning prevailing wages. We believe that the Department's collection, compilation, and storage of wage data, presently carried out by manual methods, could be performed more efficiently and effectively if automatic data processing equipment were used. The Department has informed us of action taken or under way to improve its procedures in these areas of administration.

Wage rate surveys

The Department has conducted wage rate surveys, but not as a continuing practice, either by mail--sending out inquiries to selected employers or contractors and labor organizations, requesting data on rates being paid on construction projects in a particular area--or by onsite wage investigations.

In our prior reviews we found that, when onsite wage surveys had been made, more accurate wage data had been obtained and that, as a result, more realistic wage determinations had been made. We recommended[1] that more onsite surveys be conducted for projects involving federally financed housing construction, to supplement and verify information obtained from other sources.

In October 1970 the Department's Assistant Secretary for Administration, in commenting on action taken or planned in response to our recommendations, informed us that the conduct of more onsite surveys remained contingent on the actions of the Congress regarding the Department's fiscal year 1971 budget requests for additional field staff. He stated that the Department was using its staff to capacity but fell considerably short of the number of onsite surveys

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[1]Report to the Congress, B-146842, August 12, 1970.

needed to make appropriate determinations in areas from which the Department lacked adequate information. (See app. IV.)

For fiscal year 1971, the Department requested an increase of 37 positions and funds of $485,000 for additional staff; however, only $313,000 was authorized for 20 positions.

Use of automatic data processing

The Department's operations pertaining to the collection, compilation, and storage of wage data have been performed manually by employees of the Wage Determination Division. Our review showed that the underlying wage payment data on file were not organized in a systematic manner which would make it readily identifiable for use in determining prevailing wage rates.

The feasibility of changing the system for compiling and storing wage data from a manual operation to one using automatic data processing was affirmed by a study made in the fall of 1967 by a Department task force.

In a prior report[1] we recommended that the Department use, at the earliest practicable date, automatic processing equipment for collecting, compiling, and storing wage data. In October 1970 the Department's Assistant Secretary for Administration informed us that the National Archives and Records Service of the General Services Administration (GSA) had completed a reconnaissance study which concluded that automation of the wage determination function was feasible. He stated that GSA was conducting a systems study at the Department's request and that, as soon as the study was completed, a determination would be made as to whether this function should be automated.

COOPERATION WITH FEDERAL CONTRACTING AGENCIES

To obtain up-to-date wage information, particularly in such specialized industries as housing construction or

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[1]Report to the Congress, B-146842, August 12, 1970.

heavy construction, the Department needs the cooperation of the Federal agencies which contract for or otherwise finance construction projects subject to minimum wage determination. Although efforts have been made recently by some agencies to provide the Department with the needed data, we believe that such cooperation could be materially increased.

The Department's regulations (29 CFR 5.3) require that a Federal agency intending to contract for the construction, alteration, repair, painting, or decorating of public buildings or public works of the United States apply to the Department for a determination of prevailing wage rates. The regulations provide that the agency complete a request form indicating the classification of workers needed to perform the work and furnish a detailed description identifying the type of work. For construction projects in areas where wage patterns are not clearly established, wage determination requests are to be accompanied by any relevant wage payment data available. The regulations require also that the Federal agency furnish to the Department, at the beginning of each fiscal year, a general outline of its proposed construction programs for the coming year, indicating the estimated number of projects for which wage determinations will be required, the anticipated types of construction, and the locations of construction.

Some of the agencies have been furnishing the Department with lists of proposed construction projects at the beginning of each fiscal year. Department representatives have informed us, however, that this information generally has not been very useful.

In commenting on a prior report,[1] the Secretary of Labor informed us that the Department did not have sufficient staff to make adequate surveys and was wholly dependent upon the voluntary cooperation of contracting agencies and others for getting adequate wage information.

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[1]Report to the Congress, B-164427, September 13, 1968.

To stimulate cooperation between the Department and the major Federal agencies seeking wage determinations, in November 1968, we furnished copies of our September 1968 report to the heads of 12 Federal departments and agencies.[1] We suggested that they require their contracting officers to provide assistance and cooperation to the Department so that the other departments and agencies would have better assurance that the minimum wage rates stipulated in contract specifications are consistent with the wage payment practices applicable in the particular areas for the specified types of construction.

We received replies from seven of these departments and agencies, all of which indicated or expressed the desire to assist and cooperate with the Department. Five of the departments stated that contracting officers would be instructed to furnish assistance to the Department. Two of the five agencies, however, stated that such assistance would be furnished only when specifically requested by the Department.

One agency advised us that it had already included in its procurement regulations certain requirements for furnishing wage rate information to the Department. Another agency suggested pointing out in the Federal Procurement Regulations the importance of agencywide cooperation in maintaining wage rate information, and still another agency suggested that the Department designate a representative to work with the agency to determine means whereby it might assist the Department in obtaining the wage information it desires.

In commenting on our more recent report,[2] the Under Secretary of HUD advised us that, as a result of our review

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[1]Departments of Agriculture, Commerce, the Interior, and Transportation; Department of Health, Education, and Welfare; Post Office Department; Atomic Energy Commission; GSA; National Aeronautics and Space Administration; Small Business Administration; Tennessee Valley Authority; and Veterans Administration.

[2]Report to the Congress, B-146842, August 12, 1970.

and HUD's own investigations into the wage data problem, HUD had proposed that the Federal Housing Administration (FHA) assist the Department of Labor in establishing the prevailing wage rate for federally assisted residential construction. He said that each FHA insuring office could maintain, or obtain when necessary, information on current wage rates for all trades involved, which would enable FHA, upon receipt of an application or proposal for housing assistance, to record the current prevailing wages for the specific locality, on the basis of residential construction, and submit them to the Department of Labor for approval and endorsement. He stated that the Department was most receptive to the proposal and that meetings had been held to ascertain the type of, and the mechanics of obtaining, information which FHA could provide to the Department.

In October 1970 the Department's Assistant Secretary for Administration informed us that HUD's plan to furnish the Department with wage data on residential construction was in effect. He advised us that some data had already been received and had served as the basis for determining residential wage rates in several cities. The Assistant Secretary said that HUD expected to provide a large volume of data and that considerable data were also expected from other departments and agencies.

The Deputy Assistant Secretary of Defense, commenting on our August 12, 1970, report, stated that it was the intention of the Department of Defense to continue close monitorship of the matter, in an effort to ensure that the military departments attempt to obtain the most favorable wage rates for housing projects.

The replies received by us indicated that there had been constructive efforts by HUD and the Department of Defense to assist the Department of Labor in fulfilling its wage determination responsibilities. The replies from a few other agencies showed their general willingness to provide assistance if requested. Five agencies did not respond to our suggestion for effective interagency cooperation.

We believe that the Department could materially increase interagency cooperation by establishing with each of the principal contracting agencies a more formalized and continuing working relationship for the exchange of up-to-date wage information and such other assistance as the Department may need for effective administration of the Davis-Bacon Act. Such formalization could be established by interagency agreement, formation of an interagency committee, and/or designation of representatives to cooperate on all matters affecting minimum wage determinations.

CONCLUSION

Our reviews of wage determinations made over the last 10 years have consistently shown the need for improvements in the Department's procedures, to achieve a more reasonable implementation of the Davis-Bacon Act and the other Federal laws incorporating the act. As indicated by the legislative history, this legislation was intended to stabilize wages in the building industry and other construction industries by precluding the depressing of local wages but was not intended to bring about unreasonable increases in construction costs.

We found that, in many cases, improper wage determinations had been made because local labor practices had not been adequately recognized, the characteristics of proposed projects had not been analyzed and properly related to similar construction in the area, and sufficient care had not been exercised in obtaining actual wage data applicable to the affected area. Although we noted improvements in the Department's wage determination procedures in recent years and were informed of further improvements being considered by the Department, we believe that additional actions are needed to achieve adequate administration of the Davis-Bacon Act. The Department has informed us that it is conscious of the need for continuing its efforts toward the accurate determination of prevailing wage rates.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary of Labor:

1. Formulate explicit guidelines and criteria covering the principal elements of an adequate wage determination and incorporate such guidelines and criteria into a manual of instructions.

2. Implement improved procedures for collecting needed data on basic wages and fringe benefits actually being paid, so that wage determinations can be made on the basis of accurate and up-to-date information on local practices in the construction industry. To supplement its own efforts, the Department should establish with the principal Federal agencies financing construction contracts a formalized and

continuing working relationship for the exchange of pertinent wage information and for such cooperation as may be needed for the accurate determination of minimum wage rates.

3. Require that, where appropriate and in accordance with labor practices, helper and trainee classifications be included in the Department's wage determinations, to facilitate the employment of semiskilled and untrained persons on federally financed construction projects.

CHAPTER 4

PROPOSED REVISION OF THE DAVIS-BACON ACT

The Congress may wish to consider a revision of the Davis-Bacon Act to increase the minimum contract cost (presently $2,000) which is subject to wage determination. We believe that an amount between $25,000 and $100,000 would be more representative of present-day costs of construction projects. We believe also that an increase in the minimum contract cost would substantially reduce the number of wage determinations to be issued by the Department without appreciably affecting the wage stabilization objectives of the act.

CONTRACT COST SUBJECT TO MINIMUM WAGE DETERMINATIONS

The minimum contract cost of $2,000 reflected the economic situation between the years 1931 and 1935 when the prevailing wage legislation was originally enacted and amended. The legislative history of the act indicates that the Congress was concerned at that time with protecting those areas in which federally awarded construction was to be undertaken by enabling them to resist the downward pressures on construction wage rates and working conditions in a severely depressed economy.

To obtain some indication of the range of construction costs for projects requiring wage determinations, we reviewed 600 of the 827 wage determinations issued by the Department during fiscal year 1965 and fiscal year 1969 for construction projects in the States of Maine, Maryland, New Mexico, and Rhode Island. These 600 wage determinations were selected by us because the contracting agencies' wage determination requests showed the estimated construction costs of the proposed projects to be about $663 million.

Of the 600 wage determinations, 274, or about 46 percent, covered projects estimated to cost under $100,000. In the aggregate, they totaled about $5 million, or less than 1 percent of the total estimated construction cost of $663 million. Of these 274 projects, 191, or about 70

percent, were under $25,000. These 191 projects represented about two tenths of 1 percent of the total construction cost of $663 million but accounted for close to 32 percent of the 600 determinations issued. (See app. II for a tabulation of these determinations.)

A study by the Department in 1960 and a study by a private consultant in 1963 both recommended that the contract cost cutoff amount be raised from $2,000 to $25,000. The 1960 study pointed out that raising the contract cost amount would reduce the Department's work load substantially, without doing any significant damage to the principle of prevailing wage maintenance. Four States have amended their prevailing wage legislations to provide that minimum contract costs requiring wage determinations be within $25,000 to $75,000.

The lower cost construction projects often involve maintenance, painting and repairs, and additions and alterations and normally are small jobs which have little, if any, impact on the wage levels in the area.

A reduction in the number of wage rate determinations issued yearly would permit the Department's wage determination staff to (1) make more thorough investigations, (2) conduct more frequent detailed onsite wage surveys, and (3) adequately resolve protests or problems that may arise in arriving at factual determinations. The reduction in volume of contracts subject to wage determinations would benefit the contracting agencies, because less time would be required to make requests for wage determinations, review the determinations that are issued, and enforce the rates established.

MATTER FOR CONSIDERATION BY THE CONGRESS

We recommend that the Congress consider the desirability of amending the Davis-Bacon Act to increase the minimum contract cost subject to wage determinations from the $2,000 now stated in the law to an amount between $25,000 and $100,000, which would be more representative of present-day costs of construction projects.

APPENDIX

GENERAL ACCOUNTING OFFICE

REPORTS TO THE CONGRESS

ON REVIEWS OF WAGE RATE DETERMINATIONS

Review of Wage Rate Determinations for Construction of Capehart Housing at the Marine Corps Schools, Quantico, Virginia (B-145200, June 6, 1962).

Wage Rates for Federally Financed Housing Construction Improperly Determined in Excess of the Prevailing Rates for Similar Work in Southeastern Areas of the United States (B-146842, August 13, 1964).

Wage Rates for Federally Financed Building Construction Improperly Determined in Excess of the Prevailing Rates for Similar Work in New England Areas (B-146842, January 26, 1965).

Wage Rates for Federally Financed Housing Construction Improperly Determined in Excess of the Prevailing Rates for Similar Work in the Dallas-Fort Worth, Texas, Area (B-146842, March 26, 1965).

Review of Determinations of Wage Rates for Construction of Carters Dam, Georgia (B-156269, December 14, 1966).

Need for More Realistic Minimum Wage Rate Determinations for Certain Federally Financed Housing in Washington Metropolitan Area (B-164427, September 13, 1968).

Construction Costs for Certain Federally Financed Housing Projects Increased Due to Inappropriate Minimum Wage Rate Determinations (B-146842, August 12, 1970).

ANALYSIS OF WAGE RATE DETERMINATIONS

ISSUED DURING FISCAL YEARS 1965 AND 1969

FOR PROJECTS COSTING UNDER $100,000 IN SELECTED AREAS

	Maine	Maryland	New Mexico	Rhode Island	Total
TOTAL NUMBER OF WAGE RATE DETERMINATIONS REVIEWED	117	294	156	33	600
ESTIMATED COST (MILLIONS) OF PROJECTS COVERED BY WAGE RATE DETERMINATION	$48.0	$532.2	$71.7	$11.2	$663.1
DETERMINATIONS FOR PROJECTS WITH ESTIMATED CONSTRUCTION COST UNDER $100,000:					
Number issued	57	92	106	19	274
Percent of total issued	48.7	31.3	67.9	57.6	45.7
Estimated cost (millions) of projects	$ 1.5	$ 1.4	$ 1.6	$ 0.5	$ 5.0
Percent of total cost	3.1	.3	2.3	4.5	.8
DETERMINATIONS FOR PROJECTS WITH ESTIMATED CONSTRUCTION COST UNDER $25,000:					
Number issued	33	67	81	10	191
Percent of total issued	28.2	22.8	51.9	30.3	31.8
Estimated cost (millions) of projects	$ 0.3	$ 0.4	$ 0.6	$ 0.1	$ 1.4
Percent of total cost	.07	.1	.8	.9	.2

U.S. DEPARTMENT OF LABOR
OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION
WASHINGTON, D.C. 20210

APR 2 1971

Mr. Henry Eschwege
Associate Director, Civil Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

Thank you for your letter of March 5, 1971, furnishing copies of a draft report prepared by the General Accounting Office entitled "Need for Improvements in Administration of the Davis-Bacon Act Noted Over a Decade of Review."

We have reviewed the draft and at the present time have no comments to add to those made in response to your previous reviews of wage determinations for specific construction projects listed in Appendix I.

We find your report very objective and you may be assured that the Department is conscious of the need for continuing its efforts to find a practical solution to the accurate predetermination of prevailing wage rates.

Sincerely,

Frank G. Zarb
Assistant Secretary
for Administration

U.S. DEPARTMENT OF LABOR
OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION
WASHINGTON, D.C. 20210

OCT 9 1970

Honorable Elmer B. Staats
Comptroller General of the United States
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Staats:

Thank you for inviting our comments on actions taken or planned to deal with problems described in your report on "Construction Costs for Certain Federally Financed Housing Projects Increased Due to Inappropriate Minimum Wage Rate Determinations" (B-146842).

My letter, as printed in the Appendix of your report, continues to represent the main thrust of our response to the report. Developments to date relating to your recommendations are stated below following the order in your report and in your letter of August 12, 1970:

--The conduct of more on-site surveys remains contingent on the action of Congress regarding 1971 budget requests for additional field staff. The Department is using its present staff to capacity, but falls considerably short of the number of on-site surveys it needs to make appropriate determinations in areas from which it lacks adequate information.

--29 CFR, Part 1, entitled "Procedures for Predetermination of Wage Rates" and 29 CFR, Part 5, entitled "Labor Standards Provisions" are being revised extensively to clarify distinctions between different types of construction and to facilitate more adequate collection of relevant data.

--The National Archives and Records Service of the General Services Administration has recently completed a reconnaissance study in which they concluded that automation of the Wage Determination function is feasible. They are now conducting a systems study at our request. As soon as this

is completed, a determination will be made on automating this function.

--A request for 37 new field personnel was made in the Department's 1971 budget request to Congress. It appears that somewhat less than this number will be provided in the final appropriation.

--A plan by which the Department of Housing and Urban Development will furnish to this Department wage data on residential construction is now in effect. Some data has already been received and has been the basis for determining lower residential wage rates in several cities. HUD advises that we can expect a large volume of data, and we expect considerable data from other departments and agencies as well. As automation enables us to handle these data, we believe with you that they will go a long way toward solving our problems with residential wage rate determinations.

--A larger field staff and an improved system for processing data will enable us to make the contacts and handle the data necessary to joint Federal-State studies of prevailing wage rates. We will pursue this proposal wherever possible as staff and equipment permit.

It will be apparent that we have given priority to securing and equipping ourselves for the use of data from HUD and other agencies to the end that we may make distinct determinations for residential construction where appropriate. We expect to see results from this at an early date. We shall continue with every resource at our disposal to seek wage determinations which reflect accurately the prevailing wage rates for residential construction in areas having Federally financed or insured housing construction.

Sincerely yours,

Leo R. Werts
Assistant Secretary for
Administration

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF LABOR HAVING RESPONSIBILITY FOR DETERMINATIONS OF WAGE RATES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF LABOR:		
James D. Hodgson	July 1970	Present
George Shultz	Jan. 1969	June 1970
W. Willard Wirtz	Sept. 1962	Jan. 1969
Arthur Goldberg	Jan. 1961	Sept. 1962
SOLICITOR OF LABOR:		
P.J. Nash	Sept. 1970	Present
L.H. Silberman	May 1969	Sept. 1970
Harold C. Nystrom (acting)	March 1969	May 1969
L.D. Friedman (acting)	Jan. 1969	Feb. 1969
Charles Donahue	March 1961	Jan. 1969
ASSISTANT SECRETARY FOR EMPLOYMENT STANDARDS (note a):		
Arthur A. Fletcher	May 1969	Present

[a]Title changed from Assistant Secretary for Workplace Standards in April 1971. The Assistant Secretary for Wage and Labor Standards was redesignated as Assistant Secretary for Workplace Standards in August 1970.

U.S. GAO, Wash., D.C.

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