Congress is currently debating whether to make needed investments in public goods such as roads, clean energy, and the care economy, as well as how to ensure that this spending leads to good-paying union jobs for workers in the United States. If successful, these investments promise to help rebuild economic resiliency; boost fast-growing and critically needed sectors; and support middle-class jobs for Americans of all walks of life. Yet one important facet of this debate that often goes overlooked is how to ensure that companies receiving government funding actually comply with required job quality standards.

There are many standards necessary to ensure government spending supports high-quality American jobs, including those that ensure payment of decent wages and benefits, expand apprenticeship opportunities, prevent workplace discrimination, respect workers’ right to join a union, and promote domestic production.

This issue brief focuses on enforcing prevailing wage laws, such as the McNamara–O’Hara Service Contract Act (SCA) and Davis-Bacon and Related Acts (DBA), which require companies receiving government funds to pay workers market-rate wage and benefit standards in a given local economy—as these are frequently higher than across-the-board minimum standards. Research consistently shows that prevailing wage laws help workers earn middle-class incomes, expand health insurance coverage, and increase the share of workers with pension plans. Moreover, these laws can help close racial pay gaps. One study found that prevailing wage laws shrink the income gap between white and Black construction workers by roughly 7 percentage points, and prevailing wage laws help ensure that government spending does not erode standards in the service sector, where many jobs are held by Black, Latinx, and immigrant workers.

Prevailing wage laws are a critical job quality standard because the federal government’s large purchasing power can drive conditions in the market; prevailing wages help ensure that government dollars do not undercut local wage and benefit standards. They also prevent a race to the bottom among publicly funded contractors, support good jobs, and provide value to taxpayers.
Prevailing wage standards are central to President Joe Biden’s Build Back Better agenda as well as a number of congressional proposals being debated. Several clean energy proposals include these standards—for example, Sen. Ron Wyden’s (D-OR) Clean Energy for America Act, which requires projects receiving production and investment tax credits to pay prevailing wages. Further, Congress has made clear that it does not want to take away prevailing wage protections: In June, 58 senators rejected an amendment stripping Davis-Bacon standards from a China competitiveness bill.

Yet, too often, companies receiving government support violate job quality protections, including prevailing wage laws, and government enforcement efforts fall short. For example, a 2013 investigation by the Senate Committee on Health, Education, Labor, and Pensions reviewed the 100 largest penalties for workplace safety and health standards and the 100 largest violations of wage laws, finding that nearly 30 percent of top workplace violators were government contractors who were receiving billions in taxpayer dollars. Similarly, a 2020 report from the U.S. Government Accountability Office (GAO) found that federal contractors agreed to pay approximately $224 million in back wages to workers on federal service contracts from 2014 to 2019 due to prevailing wage violations, yet the U.S. Department of Labor (DOL) acted to prevent violators from receiving new contracts in only 2 percent of cases where lawbreaking was uncovered.

This should be cause for concern. While prevailing wage standards automatically flow to direct federal service and construction contracts, it typically takes congressional action to extend these standards to new government grant, loan, and tax expenditure programs. Therefore, securing compliance should be even more of a priority for new programs that include prevailing wage protections.

Enforcement resources and tools are already strained and may not be adequate for new job quality standards. Moreover, current enforcement processes can vary significantly by region. According to a 2021 GAO review of the U.S. Army Corps of Engineers, which spends billions of dollars on construction contracts, while one regional enforcement office reviews 100 percent of all workers’ payroll records to confirm that covered employers pay the correct wage and benefits to their employees, other offices review as little as 20 percent of these records.

Policymakers must take additional steps to ensure that corporations receiving federal support comply with job quality requirements. Enforcement measures are particularly important now because the scale of investments policymakers are considering are quite large – increasing the opportunities for noncompliance and further stretching existing enforcement capacity. In addition, enforcing prevailing wage standards on tax credits, for example, may be more challenging than enforcing standards on government contracts.
As Congress moves on historic investments in job creation and job quality, policymakers should take six steps to improve compliance with prevailing wage standards:

1. Adequately fund the Department of Labor.
2. Support IRS enforcement with additional tools and funding.
3. Partner with worker organizations to ensure workers know their rights and feel comfortable coming forward.
4. Publicly disclose the names of companies receiving all types of government funding.
5. Ensure workers whose rights are violated can take lawbreakers to court.
6. Adopt monetary penalties for lawbreaking.

While no single enforcement measure is foolproof, working in combination, these enforcement measures can help ensure that historic investments in public goods live up to their promise to create quality American jobs.

Adequately fund the Department of Labor

The Department of Labor (DOL) plays a pivotal role in investigating and enforcing prevailing wage law violations. Indeed, a strong wage floor only makes a difference for workers if those wages are actually reaching their pockets. Yet the DOL is understaffed and underresourced. Long-standing underfunding, coupled with cuts during the Trump administration, means that a worker whose wages are stolen may receive little help and that the DOL may be slowed in updating prevailing wage determinations.\textsuperscript{14} Congress must enact dramatic increases in funding in order to rebuild agency capacity to administer and enforce these laws.

The DOL has begun the process of updating DBA regulations and placed a similar effort for the SCA on its long-term regulatory agenda,\textsuperscript{15} but Congress needs to provide additional resources and tools to support enforcement.

The number of Wage and Hour Division (WHD) investigators—who are responsible for investigating prevailing wage policies, among other laws—peaked at 1,600 under the Carter administration.\textsuperscript{16} Since then, the size of the American workforce has significantly increased, and the number of government contract workers reached a record high in 2020, according to an estimate by New York University’s Dr. Paul Light.\textsuperscript{17} Yet, as of July 2020, there were less than half as many WHD investigators as there were four decades earlier—just 760 investigators, according to the GAO.\textsuperscript{18}

Recent legislation has increased funding for enforcement. The American Rescue Plan appropriated an additional $200 million to the DOL for COVID-19 worker protection activities, and the department has begun hiring investigators and lawyers to expand enforcement activities.\textsuperscript{19}
These are significant improvements, but far more staff will be needed to administer and enforce these protections on federal recovery investments. Just getting staffing levels for the WHD to the Obama-era high—1,067 in 2012—would require a 40 percent increase over 2020 levels, and the Biden administration and members of Congress are pushing for funding to grow agency capacity beyond Obama-era levels.20

In order to do so, President Biden's fiscal year 2022 budget proposed a $300 million increase in worker protection activities over the 2021 enacted level, including a $30 million increase for the WHD.21 Moreover, the House Appropriations Committee's Labor, Health and Human Services, Education, and Related Agencies funding bill included an additional $24 million over the president's funding request.22

Support IRS enforcement with additional tools and funding

Policymakers should also provide additional tools and capacity for the IRS to enforce prevailing wage standards included in tax policies.23

One tool that can help support IRS enforcement is to require companies to attest to compliance with prevailing wage standards on their tax forms in order to be eligible for tax benefits. Policymakers should direct the treasury secretary to prescribe regulations or guidance as may be necessary to carry out such a provision. For example, Section 1400Z-2 of the Tax Cuts and Jobs Act, which dealt with capital gains invested in "opportunity zones," directed the U.S. Treasury Department to write rules for the certification of qualified opportunity funds.24 Those rules created a tax form where taxpayers provide information about their opportunity zone investments.25 Since making or signing a fraudulent tax return is considered a criminal offense, this would have a similar impact to creating a criminal penalty.26

Formal attestations on tax forms should be coupled with additional funding for enforcement. The IRS has been grossly underfunded in recent years, making it difficult for the agency to pursue even the worst tax cheats.27 Studies show that tax violations are widespread. The most recent official estimates suggest that the United States loses roughly $600 billion per year in revenue from unpaid taxes.28 In April 2021, the IRS commissioner estimated that the cost could be even higher—closer to $1 trillion per year—pointing to a critical need for stronger IRS enforcement.29

The Biden administration has proposed a substantial infusion of $80 billion over the next decade for IRS tax enforcement and modernization.30 And the current Congress has recognized the need to strengthen the IRS’ capacity to administer some programs—specifically, funding the IRS to help carry out two tax-related provisions in the American Rescue Plan Act of 2021.31
Partner with worker organizations to ensure workers know their rights and feel comfortable coming forward to report violations

While additional funding for federal agencies would increase enforcement capacity, federal investigators can never be in all workplaces at all times. Legislation could further improve compliance by supporting partnerships with nonprofit worker organizations, including unions and labor management compliance organizations that have day-to-day contact with workers and vulnerable populations. Workers are often afraid to talk to government officials and are more likely to report lawbreaking to nonprofit groups that have established trust. As a result, these organizations often have information about workplace conditions that government is not privy to and could help train workers on their rights, file complaints with the DOL, and assist with legal actions.32

By alerting the DOL to workplace violations and identifying trends in noncompliance, worker organizations could expand the government’s reach and enforcement capacity while also building knowledge and capacity among workers themselves to assert their rights to support just, equitable, and safe workplaces.

Policymakers should provide funding for these activities. They should also ensure that winning contract bidders provide these funded outreach organizations with access to workers to train workers on their rights, help file complaints, and assist with legal actions.33 The Wage Theft Prevention and Wage Recovery Act offers a potential model. If enacted, the legislation would create a grant program for the enforcement of wage violations, awarding $50 million annually to eligible entities to conduct a variety of actions to support workers and boost compliance in high-violation industries.34

In addition, the Los Angeles Unified School District, for example, has long partnered with trade unions to help enforce the prevailing wage laws on district projects. Volunteers trained through the Los Angeles Joint Labor Compliance Monitoring Program are authorized to inspect work sites and talk to workers about compliance.35 Multnomah County, Oregon, has a similar program on public works construction sites.36

It is worth noting that the American Rescue Plan included $10 million37 to aid a grant program for nonprofits in providing training and education on safety and health hazards.38

Publicly disclose the names of companies receiving government funding

Another potentially useful enforcement mechanism would be to publicly disclose the names of companies that receive federal grants, loans, and tax incentives. Transparency is a critical component of accountability. If the public—including workers, unions, and labor management organizations—knows which companies are benefiting from public funding mechanisms, they can help to identify potential violators. This would help level the playing field for law-abiding companies and could even deter violations.
The government often discloses recipients of public spending. The most detailed source of data comes from USAspending.gov, a publicly available government database that provides award information for corporations receiving federal contracts and grants. In addition, the American Recovery and Reinvestment Act (ARRA) of 2009 created Recovery.gov to disclose recipients of grants, loans, contracts, and even some recipients of tax credits. More recently, the U.S. Small Business Administration and the Treasury released detailed data of loans made to businesses and nonprofits under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in July 2020.

Tax information is generally confidential, but when companies are benefiting from specific tax incentives that come at the expense of the Treasury, there is a strong public interest in transparency—just as there is with companies benefiting from government grants, loans, or contracts. There is at least one example of federal tax credit recipients being disclosed to the public: ARRA established an advanced energy project credit that required the U.S. Department of Energy to certify advanced energy project sponsors and to “publicly disclose the identity of the applicant and the amount of the credit with respect to such applicant.”

There are also several instances of states disclosing tax violators to publicly shame them. Since 1994, at least half of states have engaged in some form of public shaming of individuals with unpaid taxes. Experience shows that public disclosure can be an effective way to recover unpaid taxes and increase compliance—and thus has a budgetary impact. The state of Wisconsin, for example, collected 15 times as many unpaid taxes as anticipated after instituting a taxpayer shaming campaign in 2006.

Ensure workers whose rights are violated can take lawbreakers to court

Davis-Bacon and the Service Contract Act are enforceable only by the government. Workers do not have a right to sue under these laws. In order to collect wages from lawbreaking companies, the DOL must investigate a complaint, proceed through an administrative process, recoup unpaid wages through a settlement or by withholding payment on a federal contract, and then locate the workers to whom the wages are owed, although many of them may have changed employment by the time the dispute is resolved.

Under laws such as the Fair Labor Standards Act, employees also have a right to take corporations to court for paying them less than the minimum wage or cheating them out of overtime. The ability of individual workers and groups of workers to take companies to court is critical to improving compliance as well as ensuring that workers subject to violations receive adequate compensation. Unfortunately, workers’ ability to vindicate their rights in court is under threat due to the growing prevalence of forced arbitration agreements and employer-imposed limits on class-action litigation.
Ensuring that prevailing wage laws have rights to sue similar to those in the Fair Labor Standards Act—or those in some state and local prevailing wage laws\textsuperscript{49}—would help improve compliance with prevailing wage laws. So too would provisions that allow workers to bring “third party beneficiary” suits against companies that violate their contract by paying less than the prevailing wage and to recover owed wages and remedies on behalf of themselves and other workers, such as those in New York and California.\textsuperscript{50} In addition, corporations receiving funding under the proposed Build Back Better investments should be banned from using forced arbitration agreements and class limitations that prevent workers from having their day in court. Workers should also be permitted to sue corporations that violate their contractual duties to abide by workplace laws.

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**Adopt monetary penalties for lawbreaking**

Under federal prevailing wage laws, neither workers nor the government are able to collect monetary penalties or damages for back pay violations.\textsuperscript{51} Workers’ hardships resulting from unjustly withheld wages are not addressed, and other than the possibility of being suspended or barred from competing for federal contracts—an option rarely exercised—companies have no real disincentive for illegal practices. Corporations that violate worker rights, falsify records or misrepresent their labor practices to receive government support, or retaliate against workers who report violations, should be held accountable with financial penalties. Furthermore, adjudicating bodies should be permitted to award aggrieved workers treble damages, or triple the amount owed, and attorneys’ fees.

Congress has, on many occasions, created new penalties for violations of the law\textsuperscript{52} and there are numerous models to build on to achieve these goals. For example, the Wage Theft Prevention and Wage Recovery Act would require employers to pay all the wages owed to an employee, not just the minimum wage; increase damages for wage theft violations to triple the owed amount plus interest; create a civil penalty of $2,000 when employers violate minimum wage and overtime protections; and increase the civil penalty for willful and repeat violations to $10,000.\textsuperscript{53} Similarly, cities and states enacting minimum wage laws—including Arizona, Los Angeles, and Seattle\textsuperscript{54}—have also adopted a variety of penalties, such as fines for noncompliance (some assessed daily), record-keeping violations, and retaliation.

Policymakers should pay particular attention to ensuring that strong disincentives apply to prevailing wage standards in the tax code. For example, employers who falsely claim that they pay prevailing wages in order to receive a tax credit should pay monetary penalties. Similar tax penalties were enacted in the Health Care and Education Reconciliation Act of 2010 as well as several other bills.\textsuperscript{55}
Conclusion

Adequate enforcement of Davis-Bacon and the Service Contract Act will require a number of measures, including increased funding, ensuring workers know their rights, improved disclosure of government spending, guaranteed access to courts, and strengthened penalties for violations. These measures are essential to ensuring that prevailing wage laws fulfill their promise to prevent government spending from driving down market wages. They are particularly important in this moment as Congress considers including prevailing wage standards on significant new spending programs.

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4 Ibid.


12 Note that other CAP and CAP Action reports address how existing government regulations reduce workers’ wages and undermine lawmakers’ intent of using prevailing wage laws to uphold strong market standards. In order to fully deliver on the promise of these laws, members of Congress should also support administrative reforms to ensure that prevailing wage and benefit standards do not undercut the market and that they strengthen the power of government and workers to enforce workplace rights, as well as close loopholes that allow companies to avoid compliance by relocating or lowballing their bids based on future reductions in job quality. See Walter and Christian, “Service Contractors Deserve Good Jobs.”


19 American Rescue Plan Act, Public Law 2, 117th Cong., 1st sess. (February 24, 2021), available at https://www.congress.gov/117/bills/hr1319/BILLS-117hr1319enr.pdf. Section 2101, “Funding for Department of Labor worker protection activities,” appropriated $200 million to the DOL for COVID-19 worker protection activities; of that, $5 million was explicitly made available for enforcement at “high-risk workplaces.” Notably, “Not less than $100,000,000 shall be for the Occupational Safety and Health Administration, of which $10,000,000 shall be for Susan Harwood training grants and not less than $5,000,000 shall be for enforcement activities related to COVID-19 at high-risk workplaces including health care, meat and poultry processing facilities, agricultural workplaces and correctional facilities.” See Ben Penn and Paige Smith, “Punching In: DOL Brings Back Ex-Leader to Spearhead Hiring Spree,” Bloomberg Law, July 26, 2021, available at https://news.bloomberglaw.com/daily-labor-report/punching-in-dol-brings-back-ex-leader-to-spearhead-hiring-spree.

Endnotes


31 American Rescue Plan Act, Public Law 117-2, Section 9601 (Subtitle A, Section 6428B, “2021 recovery rebates to individuals”) appropriated 1) $1,464,500,000 for necessary expenses for the Internal Revenue Service for the administration of the advance payments, the provision of payments assistance, and the furtherance of integrated, modernized, and secure Internal Revenue Service systems, of which up to $20,000,000 is available for premium pay for services related to the development of information technology as determined by the Commissioner of the Internal Revenue Service occurring between January 1, 2020 and December 31, 2022, and all of which shall supplement and not supplant any other appropriations that may be available for this purpose; 2) $7,000,000 for necessary expenses for the Bureau of the Fiscal Service to carry out this section (and the amendments made by this section), which shall supplement and not supplant any other appropriations that may be available for this purpose; and 3) $8,000,000 for the Treasury Inspector General for Tax Administration “for the purposes of overseeing activities related to the administration of this section (and the amendments made by this section), which shall supplement and not supplant any other appropriations that may be available for this purpose” Section 9611, “Child tax credit improvements for 2021,” and Section 7527A, “Advance payment of child tax credit,” appropriated a) $397,200,000 “for necessary expenses for the Internal Revenue Service to carry out this section (and the amendments made by this section), which shall supplement and not supplant any other appropriations that may be available for this purpose” and b) $16,200,000 “for necessary expenses for the Bureau of the Fiscal Service to carry out this section (and the amendments made by this section), which shall supplement and not supplant any other appropriations that may be available for this purpose.” While neither of these appropriations explicitly describe enforcement, Section 9611 of the act provided money for “necessary expenses for the Internal Revenue Service to carry out this section … which shall supplement and not supplant any other appropriations that may be available for this purpose.”


33 American Rescue Plan Act of 2021, Public Law 117-2. Section 2101 appropriated $200 million to the DOL for COVID-19 worker protection activities; of that, $5 million was explicitly made available for enforcement at “high-risk workplaces.” Also note that the U.S. Supreme Court’s recent ruling in Cedar Point Nursery v. Hassid reaffirmed that the government may require property owners to agree to a right of access to their property as a condition of receiving certain benefits. Policymakers should carefully articulate why providing a limited right of access to unions and other nonprofit worker organizations would help ensure that the government receives good value on its contracts and that companies are complying with the terms of their contracts. Notably, “Not less than $100,000,000 shall be for the Occupational Safety and Health Administration, of which $10,000,000 shall be for Susan Harwood training grants and not less than $5,000,000 shall be for enforcement activities related to COVID-19 at high risk workplaces including health care, meat and poultry processing facilities, agricultural workplaces and correctional facilities.” See Cedar Point Nursery v. Hassid, 594 U.S. (June 23, 2021), available at https://www.supremecourt.gov/opinions/20pdf/20-107_thd.pdf.
Wage Theft Prevention and Wage Recovery Act, H.R. 3712, 116th Cong., 1st sess. (July 11, 2019), available at https://www.congress.gov/116/bills/hr3712/BILLS-116hr3712ih.pdf. Permissible activities include: a) disseminating information and conducting outreach and training to educate employees about their rights under wage and hour laws; b) conducting educational training for employers about their obligations under wage and hour laws; c) conducting orientations and trainings jointly with officials of the Wage and Hour Division of the Department of Labor; d) providing assistance to employees in filing claims of wage and hour violations; e) assisting enforcement agencies in conducting investigations, including in the collection of evidence and recovery of back pay; f) monitoring compliance with wage and hour laws; g) performing joint visits to work sites that violate wage and hour laws with officials from the Wage and Hour Division of the Department of Labor; h) establishing networks for educators, communication, and participation in the work community; i) evaluating the effectiveness of programs designed to prevent wage and hour violations and enforce wage and hour laws; j) recruiting and hiring staff and volunteers; k) producing and disseminating outreach and training materials; and l) any other activities as the secretary may reasonably prescribe through notice and comment rulemaking.

Ibid. Note that in work sites generally open to the public, including health care, meat and poultry processing facilities, and correctional facilities. However, as mentioned previously, policymakers should clearly articulate why a limited right of access is necessary to the government’s interest in ensuring compliance with contract terms.

American Rescue Plan Act, Public Law 117–2. Section 2101 appropriated $2 million to the DOL for COVID-19 worker protection activities. Of that, “Not less than $100,000,000 shall be for the Occupational Safety and Health Administration, of which $10,000,000 shall be for Susan Harwood training grants and not less than $5,000,000 shall be for enforcement activities related to COVID–19 at high risk workplaces including health care, meat and poultry, correctional, agricultural workplaces and correctional facilities.”


Ibid.

Penn, “Biden DOI Targeting Government Contractors for Wage Enforcement,” The government may withhold contract payments or ban companies that steal workers’ pay for up to three years, but workers cannot take lawbreaking companies to court to enforce wage theft.

