



PLAs drive up construction costs

By Greg Beeman
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After an eight-year prohibition, President Obama signed an executive order in February that allows executive agencies to require that contractors use union-only project labor agreements on federal construction projects costing more than \$25 million. The order has sparked construction unions to renew their push for PLAs, and Lowell may be their next target.

PLAs require that all labor for a project come from union hiring halls, effectively locking out the open shop workers who make up 80 percent of the Massachusetts construction workforce, according to unionstats.com.

After years of talk, it appears that a bond bill to fund construction of a new Lowell courthouse may finally pass before the end of the state legislative session this month. At the same time, the push to build the \$200 million courthouse using a PLA also seems to be gaining traction.

A central rationale for PLAs has long been that they help ensure on-time, on-budget construction by guaranteeing labor peace for the term of a project. But a new study from Suffolk University's Beacon Hill Institute (BHI) demonstrates that taxpayers are getting little in return for the premium they pay for union-only construction.

BHI studied U.S. government projects initiated between 2001 and 2008, when PLAs were prohibited on federal construction. They didn't find a single job that was beset by the labor disputes PLAs are designed to preclude.

Earlier BHI research found that dramatically reduced competition resulted in a 12-18 percent increase in total costs for projects that used a PLA. That 12-18 percent premium would add about \$30 million to the cost of the Lowell courthouse. In the new study, they estimate that taxpayers would have paid between \$1.6 billion and \$2.6 billion more in 2008 alone had the federal PLA ban not been in place.

An example out of Fall River shines more light on what building a major public project under a PLA might mean for Lowell. In 2006, that city decided to build several new schools using a PLA. After bidding and re-bidding the projects, prices were so far above budget that then-Mayor Edward Lambert decided to put the schools back out to bid without the PLA.

The difference was like night and day. Despite rampant oil price-driven construction inflation during the months between the first round of bids under a PLA and commencement of the open bidding process, subcontractor bid prices fell by 13 percent for one school and 15 percent for another. On one of the projects, the number of subcontractor bids nearly doubled. None of the savings came from paying workers less, since all public construction in Massachusetts is subject to prevailing wage laws.

But perhaps the most definitive proof that PLAs don't deliver on their promises is the Big Dig. That long-delayed, hopelessly over-budget project was built under a PLA. There, shoddy workmanship has resulted in at least one death and millions of dollars in additional costs.

Open shop contractors and our employees only want a level playing field. We are pleased to work side-by-side with our union colleagues, which happens routinely without a PLA, when both union and merit contractors submit bids and are selected independent of labor affiliation.

But unions take a different approach. The PLAs they promote effectively bar open shop firms that employ the overwhelming majority of state and national construction workers.

At the same time the Obama administration argues that the \$787 billion federal stimulus legislation is working, they are pursuing construction policies that exclude the vast majority of the industry from the jobs those funds are creating. The policy is even more indefensible during a time when national construction industry unemployment is nearly 20 percent. Data recently released by Associated General Contractors of America found that the Lowell area lost 15 percent of its construction jobs in just the last year.

A project labor agreement would needlessly add millions to the cost of a new Lowell courthouse and lock most of the area's already beleaguered construction workforce out of the project. Perhaps the title of the recent BHI study says it best; PLAs are indeed "A Costly Solution in Search of a Problem." Let's hope state lawmakers don't make Lowell the next stop in their search for that elusive problem.

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