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Public Policy Research

News Release

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Project Labor Agreements increase costs to Connecticut cities and towns, new BHI study finds

BOSTON – A new study by the Beacon Hill Institute shows that Project Labor Agreements (PLAs), which effectively limit public projects to union-only contracts, increase actual and bid construction costs when applied to school building projects in Connecticut.

PLAs increase actual costs by \$30 (or 18%) per square foot. They increase the winning bids by \$26.07 (or 16.6%) per square foot. Actual costs are typically slightly higher and include any additional, unexpected expenses incurred during the life of the project. Bid costs represent the amount that the least expensive contractor requires to complete the project.

PLAs are collective bargaining agreements between public and private entities and construction unions that require the hiring of all workers, including non-union workers, through union halls, and the adoption of union rules in the employment of workers. In exchange for the builder's willingness to enter into a PLA, workers pledge not to strike or to pursue any other job actions.

The BHI findings are based on an analysis of 102 school projects that were undertaken in Connecticut from 1996 to the present. Of the 102 projects, 20 were under PLAs. The study incorporates all the available data on Connecticut school projects over the chosen period. The results are statistically significant at the 97% level of confidence; they show PLAs adding to costs under a variety of different tests.

Critics of PLAs, mostly open-shop contractors, have argued that PLAs, which are unique to the construction trades, nullify their key competitive advantages, particularly those governing worker flexibility. In addition to raising costs by requiring firms to follow union rules, the smaller pool of bidders for contracts that require a PLA reduces competition, further raising cost particularly when such open-shop bid on public projects.

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In contrast, supporters argue that PLAs provide harmonious working conditions and avert cost overruns by ensuring on-time completion and worker safety. They also argue that PLAs enable bidders to accurately estimate labor costs for the entire life of a project.

The study is BHI's fourth study of PLAs, and the first to analyze projects outside Massachusetts.

"The evidence is growing that PLAs are adding millions of dollars to construction costs, not only in New England but all around the country," said David G. Tuerck, BHI Executive Director. "Municipal leaders everywhere need to rethink the whole of idea of entering into PLAs for school or other construction projects, as PLAs result in spending more tax dollars than necessary on these projects. Those are dollars that could better serve the community elsewhere."

Paul Bachman, MSIE, Jonathan Haughton, PhD, and David Tuerck, PhD conducted the study.

The study, *Project Labor Agreements and the Cost of Public School Construction in Connecticut*, is available online at www.beaconhill.org and from BHI at 617-573-8750.