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News Release

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New Study Reveals That President Obama's Executive Order for Project Labor Agreements Will Harm Federal Taxpayers

BOSTON, MA – A new study released today by the Beacon Hill Institute (BHI) finds that Project Labor Agreements (PLAs), which will be permitted under an executive order from President Obama, will significantly increase construction costs on federal projects while doing nothing to protect the interests of federal taxpayers.

The executive order reverses a prohibition on PLAs that was in effect during the Bush Administration. The purpose of the BHI study, which is entitled *Project Labor Agreements on Federal Construction Projects: A Costly Solution in Search of a Problem*, was to determine whether the reversal of this prohibition is in the interest of federal taxpayers.

PLAs are agreements with contractors that establish the rules to be followed by firms that bid on construction projects. PLAs typically require a contractor to hire workers through union hiring halls, require non-union workers to pay dues for the length of the project and force contractors to abide by union rules on pensions, work conditions and dispute resolution.

In February, President Obama issued Executive Order 13502, which allows executive agencies to require contractors to use PLAs on federal construction projects costing \$25 million or more. The federal government's deadline for accepting comments on the order is September 23, 2009.

The purpose of a PLA is to assure labor "peace" during construction projects. But a review by BHI of federal construction projects during the Bush Administration found no instances of labor disputes that resulted in significant project delays or increased costs.

"Our examination of the record produces no evidence of any systematic connection between the absence of a PLA, on the one hand, and cost overruns or delays caused by labor disputes, on the other," said David G. Tuerck, one of the authors of the study and Executive Director of the Beacon Hill Institute. Therefore, the justifications offered by the Obama Administration for reinstating PLAs are not supported by the evidence.

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BHI examined federal projects with a price tag of \$25 million or more that were initiated between 2001 and 2008 to determine whether they were beset by labor disputes of the kind that PLAs are intended to preclude. Information collected from a variety of federal agencies, including the Office of Management and Budget (which has responsibility for oversight of U.S. government procurement), did not reveal any evidence that federal projects built during the Bush Administration without a PLA suffered significant delays or cost-overruns due to labor issues.

“If President Obama, who used the labor peace argument in justifying PLAs, is to be believed on this matter, it should be possible to find dozens of examples of slowdowns and significant cost overruns that occurred during the Bush Administration,” said Tuerck. “Yet, we found no such examples.”

PLAs do add to construction costs. By their nature, PLAs are anti-competitive since they discourage open shop firms from bidding in the first place. Previous research from the Institute has shown that PLAs add 12-18% to construction costs.

Over the course of the Bush Administration, the federal government spent \$147.1 billion on federal construction projects. Of that \$147.1 billion, approximately \$60 billion would have been subjected to President Obama’s Executive Order encouraging the use of PLAs.

Moreover, had President Obama’s Executive Order 13502 been in effect in 2008, and all federal construction projects worth \$25 million or more been subject to PLAs, the cost to federal taxpayers would have increased by \$1.6 to \$2.6 billion.

“Our report shows that there is no reason to implement a PLA on a federal construction project, except perhaps for political payback to union leaders. PLAs are anti-competitive by nature and add costs to the taxpayers. The federal government should consider this research when making its final decision about implementing the President’s order,” said Tuerck.

The BHI report can be found at <http://www.beaconhill.org>.