

New Beacon Hill Institute Study Finds Project Labor Agreements Increase New Jersey School Construction Costs by 16.25%

MEDWAY, Mass., Sept. 23—According to a recent study by the [Beacon Hill Institute](#), New Jersey schools built under controversial government-mandated project labor agreements inflated costs by 16.25%, or \$57.84 per square foot, compared to schools that were bid and constructed without PLAs. New Jersey taxpayers would have saved \$565.1 million, or more than \$7.1 million per project, in 2018 prices if PLAs had not been used.

The study, "[The Effects of Project Labor Agreements on Public School Construction in New Jersey](#)," is based on a statistical analysis of 107 schools built in New Jersey since 2002, when the state's Project Labor Agreement Act was enacted for certain public building projects with total costs of \$5 million or more. An agreement between construction unions and contractors employed on a public works project, PLAs require contractors to adhere to specified work rules and hiring procedures that drive up costs by between 12% and 18%, according to numerous BHI, [academic](#) and [government](#) studies.

"This study echoes [previous BHI analyses of the impact of PLA mandates on school construction in Connecticut, Massachusetts and Ohio](#), which found PLA requirements increased the cost of construction compared to projects built without PLA mandates," said David G. Tuerck, president of the Beacon Hill Institute and co-author of the report. "Opponents of government-mandated PLAs argue these controversial agreements end fair and open competition and discourage local nonunion contractors from working on projects in their own communities, which effectively limits competition during the bidding process and drives up construction costs. Based on our research findings, we are confident taxpayers are paying more for construction projects subject to government-mandated PLAs."

PLAs typically require all contractors to hire most or all workers through union halls and apprenticeship programs and nonunion workers must join a union and/or pay dues for the length of the project. Contractors must contribute to union benefits plans on behalf of employees, which nonunion workers will forfeit unless they join a union and become vested. In addition, a PLA ensures that union work rules, job classifications and dispute resolution apply to the project.

Critics argue typical PLA provisions discourage competition from qualified contractors and their employees, who compose the vast majority of the U.S. construction workforce. In 2018, 87.2% of U.S. construction workers and 77.9% of New Jersey construction workers chose not to join a union.

A total of 25 states have enacted measures restricting government-mandated PLAs while eight states have passed measures encouraging their use on taxpayer-funded construction projects.

The Beacon Hill Institute is a nationally recognized research center based in Massachusetts that performs innovative economic and statistical analyses of current and emerging public policy issues. It aims to strengthen that function by providing local, state, national and international research entities with state-of-the-art tools and objective analysis to examine and influence public policy. To learn more visit beaconhill.org.