



The Beacon Hill Institute for
Public Policy Research

News Release

8 Ashburton Place
Boston, Massachusetts 02108-2770

phone: 617.573.8750
fax: 617.720.4272
email: bhi@beaconhill.org
web site: www.beaconhill.org

For Immediate Release:
Thursday, September 25, 2003,
12:01 a.m.

Contact:
Frank Conte, Communications
617-573-8050; 8750
fconte@beaconhill.org

Project Labor Agreements increase costs for new school construction, new BHI study finds.

“Union-only” agreements increase both bid and actual construction costs.

BOSTON – A new study by the Beacon Hill Institute at Suffolk University shows that Project Labor Agreements (PLAs), which effectively limit builders to union-only contracts, increase both bid and actual construction costs for school building projects in Massachusetts.

PLAs increase bid costs by \$18.83 (or 14%) per square foot. They increase actual construction costs (which often differ slightly from the winning bid) by \$16.51 (or 12%) per square foot. *Bid* costs represent the amount that the least expensive contractor requires to complete the project. *Actual* costs are typically slightly higher and include any additional, unexpected expenses incurred during the life of the project.

The findings are based on an analysis of 126 school projects that were undertaken in the Boston metropolitan area from 1995 to the present. Of the 126 projects, 21 were under PLAs. The study incorporates all the available data on Boston-area school projects over the chosen time period. The results are statistically significant at the 99% level of confidence.

The results are robust and consistently show PLAs adding to costs under a variety of different tests.

The institute estimates that the costs of school building construction since 1995 were \$60 million higher than they would have been if PLAs were not used.

PLAs are collective bargaining agreements between public 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.

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Critics of such agreements, 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 public contracts that require a PLA reduces competition, further raising cost.

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

The study is BHI's third study of PLAs this year. The current study expands the number of observations. This gives greater accuracy and allows one to take into account actual construction costs in addition to the bid costs of construction.

"No matter how you look at the data, PLAs add significantly to school construction costs in the Commonwealth," said David G. Tuerck, executive director of the Beacon Hill Institute. "Cities and towns need to be aware of the fact that PLAs waste taxpayer dollars, a fact made especially important by the existing budget crunch."

The study was conducted by Paul Bachman, MSIE, Darlene C. Chisholm, PhD, Jonathan Haughton, PhD, and, and David G. Tuerck, PhD.

The study is available online at www.beaconhill.org and from BHI at 617-573-8750.

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