

ABC Statistical Statements on the Impact of Union-Only PLAs

“The examination of the construction labor market and the facts concerning the postures of organized labor, unionized construction, and their political supporters, as well as of the cases in various states, demonstrate that the claimed advantages of government-mandated PLAs are not supported by factual evidence” (Dr. Herbert R. Northup, Journal of Labor Research, Winter 1998).

Construction Costs:

By limiting bidders and forcing construction users to use union workers, pay into union benefit plans, and follow outmoded and inefficient union work rules, union only PLAs drive up costs on projects. Far from their claim of eliminating waste, union-only contracts guarantee it, by forcing open shop contractors to adopt inefficient union work practices and use unfamiliar workers.

- A U.S. General Accounting Office (GAO) report on Department of Energy Idaho Laboratory Project found that the labor costs under the union-only PLA were 17-21% above the federally mandated Davis-Bacon rates.
- Another GAO report, issued May 5, 1998, demonstrated that it is nearly impossible to show any savings or increased quality derived from the use of project labor agreements, largely because of the difficulty in finding two identical projects with or without a PLA to study.
- A study of the taxpayer costs for Roswell Park Cancer Institute in Buffalo, New York, assessed bids for the same project both before and after a PLA was temporarily imposed in 1995. It revealed that there were 30% fewer bidders to perform the work and that costs increased by more than 26%.
- A Nevada Water Authority project PLA cost taxpayers an additional \$200,000, because the true low bidder refused to sign the PLA. The project then went to a union contractor whose bid was \$200,000 higher.
- A comparison of two stadiums built in Maryland at approximately the same time (Jack Kent Cooke Stadium near Washington, DC and Ravens Stadium in Baltimore), indicates that the cost per seat of Ravens Stadium, built primarily with union labor under prevailing wage laws, was over 13 % higher than the cost for Jack Kent Cooke Stadium, a merit shop project. Overall, the preliminary results of this study indicate that costs associated with union labor and prevailing wage made the Baltimore stadium costs 4 ½ to 5 % higher than the Washington stadium.
- A comparison of bids for a Middletown, Connecticut, school renovation proposal demonstrated a PLA would have added 20% to the cost. The town initially issued 72 sets of bid specifications with a PLA, and received only four responses, with the lowest bid (\$9.1 million) at \$600,000 over the project's \$8.5 million budget. When the project was re-bid without the PLA, it received more than double the number of bids, with the lowest at \$7.6 million, producing a savings for the town of \$1.5 million.

- A recent study of public-sector PLAs concludes, “While assuring that projects are performed union, they provide little, if any, savings to the [public] owner. In addition, they provide little, if any, competitiveness to the union contractor and may be disruptive to other owners and contractors involved in the local construction market.” It concluded that, “restraints imposed by government-directed PLAs are political decisions which have little or no economic rationale, nor can they be defended on grounds of labor peace, enhanced safety, or other such reasonable criteria.” (Dr. Herbert R. Northrup, *Journal of Labor Research*, Winter 1998).
- The Employment Policy Foundation estimates that if all federally-funded government contracts were to include PLAs, the result would be either an increase in the cost of construction by \$4.8 billion annually, or a reduction in the amount of federal construction spending by 30% (April 1997).
- The Clark County School District (CCSD) retained Resolution Management to perform an objective study of the use of project labor agreements on School District Projects. In an independent and unbiased study, they found “no compelling reason for CCSD to enter into PLAs for school construction at this time.
- A study commissioned by the Jefferson County Board of Legislators concluded that “[t]he additional costs estimated with the use of a PLA could range upwards of \$955,000. With the loss of even one general contractor from the bidding [as a result of the PLA], the cost increase could approach \$200,000.” On this estimated \$14 million project, this would mean a cost increase of upwards of 7% (September 2000).
- The Worcester Municipal Research Bureau released their study “Project Labor Agreements on Public Construction Projects: The Case For and Against” on May 21, 2001. The study concluded that “PLAs tend to constrict the number of bidders on a project compared to those without PLA’s, and are likely to reduce the savings to the public that would accrue if nonunion contractors who are employed were allowed to follow their customary methods.”
- In September of 2001, the firm of Ernst & Young was commissioned by Erie County in New York to analyze a project labor agreement on the Erie County Construction Project. Ernst & Young concluded that “bidder participation was diminished because the county chose to utilize a PLA. Further, the use of PLAs adversely affects competition for publicly bid projects to the likely detriment of cost-effective construction. Our research revealed that the use of PLAs strongly inhibits participation in public bidding by non-union contractors and may result in those projects having artificially inflated costs.” They went on to say that “there are no apparent valid economic justifications for the continued use of a PLA on Phase II of the Project.”

Work Opportunities:

- Bureau of Labor Statistics demonstrates that less than 20% of the nation’s construction industry is unionized. Therefore, since union-only PLAs effectively preclude open shop companies from working as such on a project, they discriminate against the majority of companies and the 8 out of 10 workers who choose not to join a union...and whose hard-earned tax dollars go toward funding these projects.
- In his analysis of government-mandated PLAs, Dr. Herbert Northrup concludes, “To exclude or to limit the right of open-shop contractors, who have won 75-80 percent of the national construction dollar spent, from the opportunity to bid on public financed construction, and thus to limit or to eliminate their participation in construction paid for by taxpayers unless they are willing to work as if

they were unionized contractors is palpably both unfair and contrary to sound public policy” (Journal of Labor Research, Winter 1998).

- Ernst & Young’s September 2001 study stated that their “research revealed that the use of PLAs strongly inhibits participation in public bidding by non-union contractors and may result in those projects having artificially inflated costs.”
- In addition, minority and women’s groups have been vocal opponents of union-only agreements. The American Asian Contractors Association, the National Association of Women Business Owners, the National Black Chamber of Commerce and the Latin Builders Association are among the groups that have gone on record as opposed to PLAs. The National Black Chamber of Commerce described PLAs as “anti-free-market, non competitive and, most of all, discriminatory.” These groups represent workers that are significantly underrepresented in all crafts of the construction union shops. Encouraging PLAs on public works projects will make it even more difficult for minority-owned contractors to compete.

Safety:

No data exists that show union sites are any safer than open shop jobsites. In fact, OSHA records show that open shop sites have better rates for the most serious accidents with fatalities than do union sites.

- The only nationwide statistical study of 5,564 construction fatalities investigated by OSHA, found that (Charles Culver, NCCER, May 1995) fatality rates for open shop contractors were significantly lower than unionized contractors for each of the nine years studied, for which such statistics were available (1985-93).

Productivity and Quality:

Union-only PLAs do nothing to guarantee better quality, skills, or productivity. Merely having a union status does not guarantee better performance -- there is no evidence that union labor is more skilled than open shop. Some of the largest and most successful projects completed every year are built on time and within budget with open shop companies and without PLAs. The union label is not needed for construction to be of top quality. Project quality is governed by voluminous procurement laws and regulations, project specifications, and bonding requirements. Safeguards against shoddy work practices and stiff market competition also prevent unqualified companies from competing on public contracts. Moreover, quality lies with the worker’s individual motivation and performance, it is not determined by race, creed, national origin, gender, or labor affiliation.

- Although the unions promote PLAs by claiming open shop contractors do not have the capability of managing very large construction jobs, a study by Dr. Herbert R. Northup concludes that, “the facts demonstrate that open-shop contractors can and do successfully both perform and manage large projects.” (Journal of Labor Research, Winter 1998).
- After performing a thorough study of PLAs in the New York area, Ernst & Young (September 2001) concluded that “[t]here is no quantitative evidence that suggests a difference in the quality of work performed by union or open shop contractors.”

List of Studies:

Analysis of Bids and Costs to the Taxpayer for the Roswell Park Cancer Institute, New York State Dormitory Authority Construction Project –Associated Builders & Contractors – Empire State Chapter (March 23, 1995)

Comparison of Nonunion and Union Contractors Construction Fatalities – National Center for Construction Education and Research (May 1995)

Project Labor Agreements: The Extent of Their Use and Related Information – GAO Report (May 1998)

“Boston Harbor”-Type Project Labor Agreements in Construction: Nature, Rationales and Legal Challenges – *Journal of Labor Research*. Herbert R. Northrup and Linda E. Alario. (Winter 1998)

Government-Mandated Project Labor Agreements in Construction: A Force to Obtain Union Monopoly On Government-Financed Projects. Herbert R. Northrup, The Wharton School. (January 2000)

Project Labor Agreement Study: Prepared for Clark County (NV) School District – Resolution Management (June 2000)

Analysis of the Impacts on the Jefferson County Courthouse Complex through Project Labor Considerations – Prepared for the Jefferson County (NY) Board of Legislators – Professor Paul G. Carr, P.E., Engineering and Management Consultant (September 2000)

Government-Mandated Project Labor Agreements in Construction, The Institutional Facts and Issues and Key Litigation: Moving Toward Union Monopoly on Federal and State Financed Projects. *Government Union Review, Volume 19, Number 3.* Herbert R. Northrup and Linda E. Alario. (October 2000)

Project Labor Agreements on Public Construction Projects: The Case For and Against – Worcester Municipal Research Bureau (May 2001)

Erie County Courthouse Construction Projects: Project Labor Agreement Study – Ernst & Young (September 2001)

Union-Only Project Labor Agreements: The Public Record of Poor Performance – Maurice N. Baskin (2001)