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Government-mandated project labor agreements: a form of corruption

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At 27.1 percent, the unemployment rate in the U.S. construction industry is at its highest level since the federal government began recording the data in 1976, yet the D.C. Council is considering legislation that would eliminate new job opportunities for more than eight out of 10 local construction workers.

The District Resident Employment and Trade Stimulus Act of 2010, introduced Feb. 16 before the D.C. Council, would implement government-mandated project labor agreements, or PLAs, on all D.C. construction projects that cost more than \$200,000 and receive government assistance.

Anti-competitive PLAs are special interest schemes that end open, fair and competitive bidding on public work projects.

Nonunion employees oppose PLAs because they discourage competition from nonunion contractors and saddle employers and employees with inefficient union rules and costly fees for the duration of a construction project.

At 12 percent, union membership in the District is lower than the national average, and has even declined 6.9 percent in the last nine years. Requiring PLAs could reduce the income-generating opportunities of 88 percent of the District's construction workers, according to a study by economist Anirban Basu. The study was commissioned by the Associated Builders and Contractors Inc. Basu is chief economist for ABC.

The study, "The Problem with Project Labor Agreements in the District of Columbia," concluded there is no evidence of a need for PLAs on city or federal construction projects in the District for several reasons.

First, federal and federally assisted construction projects completed in the District within the last decade did not have government-mandated PLAs and experienced no labor-oriented problems — a reason often cited as justification for PLAs. For example, President Barack Obama's Feb. 6, 2009, Executive Order 13502, which encourages PLAs on all federal construction projects costing more than \$25 million, cites labor problems as a key rationale for government-mandated PLAs. Regulations implementing the order are expected to be approved soon, which could determine whether PLAs will be used on several upcoming large Washington-area construction projects paid for by the federal government.

On the rare occasions when PLAs were imposed by the local government (e.g., during construction of the Washington Convention Center and Washington Nationals stadium), costs exceeded budgets and local resident participation objectives were not met. PLAs have a track record of failure for controlling costs, which should concern the D.C. Council due to its current budget woes.

Second, plenty of qualified construction firms in the District already build D.C. construction projects, but the majority will be discouraged from competing if PLAs are used. In fact, the D.C. government has certified more than 300 construction firms as local and/or disadvantaged businesses. Of those certified, the vast majority are nonunion small businesses that likely won't perform work under federal or local PLAs. The report found that many local firms are on record as being unwilling to bid on PLA projects due to the discriminatory impact of such government-imposed requirements.

Nonunion contractors often cannot afford to compete for jobs under PLAs because PLAs increase their costs and put their businesses at risk. Under a typical PLA, contractors would have to pay health and pension benefits twice — once to their existing plans and once to the union plans — and workers wouldn't see the benefits of those contributions unless they joined the local union and became vested in the union plans. Nonunion workers would be forced to pay union dues even though they have chosen not to join a union or work for a unionized company.

Plus, under a PLA, nonunion contractors and their employees must follow inefficient union work rules, and the contractors must go to union hiring halls first to hire unfamiliar union labor.

Government-mandated PLAs are a form of corruption. In return for votes and campaign cash from Big Labor bosses, elected officials push PLAs to create union jobs at the expense of taxpayers and businesses and residents.

Because the District has a capable and skilled nonunion labor force, it's only economically sensible that the D.C. Council encourage qualified contractors to freely hire this pool of local, talented workers. To allow anything less is to cater to special interests and put local jobs at risk.

Good public policy should stimulate maximum competition that creates local jobs and delivers the best possible construction project at

the best possible price. The D.C. Council should consider the findings of this report and realize government-mandated PLAs and the proposed act make no sense.

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