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ABC opposes PLAs on government-funded construction projects

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As part of the new annual budget, the State of Rhode Island is proposing to create an "infrastructure bank" that would loan money to cities and towns for a number of items that save energy, as well as provide incentives to property owners. The proposal has merit, but contains a disturbing sentence that says "...to the extent possible, and consistent with law, the infrastructure bank shall encourage the use of project labor agreements..."

Union-only Project Labor Agreements (PLAs) are a bad deal for taxpayers.

PLAs are privately negotiated deals between union representatives and public officials that require projects be awarded only to contractors and subcontractors who agree to: (1) recognize unions as the representatives of their employees on the job; (2) use the union hiring hall to obtain workers; and (3) obey the unions' restrictive work rules, job classifications and arbitration procedures. In exchange for including a PLA in the bid specifications for a construction project, the unions promise certain working conditions, such as guarantees of local hiring and no labor stoppages throughout the life of the project. In practice, however, all a PLA truly guarantees is that the public will pay more for the project as the unions are able to immediately eliminate a majority of the competition.

In the United States, only 14% of construction workers are union...this according to the Bureau of Labor Statistics. In Rhode Island, the percentage is a bit higher, but still less than one in five construction workers has chosen to join a union. PLAs discourage non-union contractors from bidding on public construction projects, because working under the terms of a PLA would force them, and their employees, to affiliate with the union in their trade. In fact, open shop construction workers would be forced to pay into union benefit plans under a PLA agreement; and with the union pension vesting schedules as they are, these open shop workers would never see a dime of that benefit money they pay into the union plan while working on a PLA project. For these reasons, open shop contractors, in large part, opt not to bid on PLA projects. This decreases competition, and leads to higher prices for taxpayers. How high? As much as 12%-18% according to studies conducted by the Beacon Hill Institute at Suffolk University. In fact, their studies found that PLAs impose a surcharge of \$16.51 per s/f on school construction costs.

By mandating the workforce composition on public construction projects, such as those that would be funded by this new infrastructure bank, the Rhode Island workplace and the taxpayers are negatively impacted. When government officials agree to union mandates that effectively compromise the open bidding process, they fail to protect the taxpayers, as well as the more than 80% of the workforce that has chosen not to be union. Think about what the state is saying to those 80+% by instituting a union-only PLA. In essence, the message is this: "We'll use your tax dollars to build this public project, but we will not allow you to work on it."

This is why 22 states have outlawed and/or banned PLAs on public construction projects. It is also why ABC and other Business Associations have urged both the Rhode Island Senate and House Finance Committees to remove the sentence in Article 24 that encourages the use of union-only project labor agreements. To learn more about the harm PLAs cause taxpayers, visit www.thetruthaboutplas.com.

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