



# The Problem with PLAs

in the District of Columbia

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## Executive Summary

### Reason for this report

This report provides an assessment of the economic implications of government-mandated project labor agreements (PLAs) on construction projects in the District of Columbia.<sup>1</sup> Specifically, the study assesses whether government-mandated PLAs are economically sensible in the context of the current environment for construction services in the District of Columbia. This analysis concludes that the imposition of PLAs on construction projects in the District of Columbia represents both poorly timed and counterproductive public policy.

There are a number of factors to consider when assessing the efficiency of government-mandated PLAs. For instance, the more limited the number of union contractors and associated base of employees, the more widespread the discrimination against nonunion contractors and their employees emerging from PLA imposition. Moreover, the more limited the number of union contractors, the less competitive the bidding process for federal or federally funded construction work, resulting in higher bids and less restrained federal spending. Finally, in the context of the current construction economy, government PLA mandates appear likely to have a destabilizing impact on an already depressed industry in the District of Columbia, leading to reduced employment of local residents and considerable harm to small and disadvantaged businesses. As of this writing, the District's unemployment rate is approaching 13 percent and is more than twice the corresponding metropolitan area rate.

### Key analytical findings

1. Union presence in the District is less than national averages.

Union affiliation in the District has been less than national averages since 2007. Union membership nationally declined from 17.5 percent of construction workers in 2000 to 15.6 percent in 2008, and then to 14.5 percent in 2009, according to the Bureau of Labor Statistics.<sup>2</sup> According to an analysis of data from the Current Population Survey, the percentage of union membership in the District's construction industry was 18.9 percent in 2000.<sup>3</sup> In 2009, it stood at 12.0 percent<sup>4</sup>, a decline of 6.9 percentage points over nine years.

Therefore, the use of PLAs in the District would have the potential to reduce the income generating opportunities of 88 percent of the District's construction workers and also would concentrate construction opportunities among a handful of workers. As of 2009, just 1,067 of 8,870 workers in private construction were union members in the District.<sup>5</sup>

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<sup>1</sup> Such government-mandated PLAs are currently under consideration at both the federal level and in the D.C. Council. See Executive Order 13502 (Feb. 6, 2009); see also the District Resident Employment and Trade Stimulus Amendment Act of 2010. Considerable controversy over the economic value of PLAs exists in both forums.

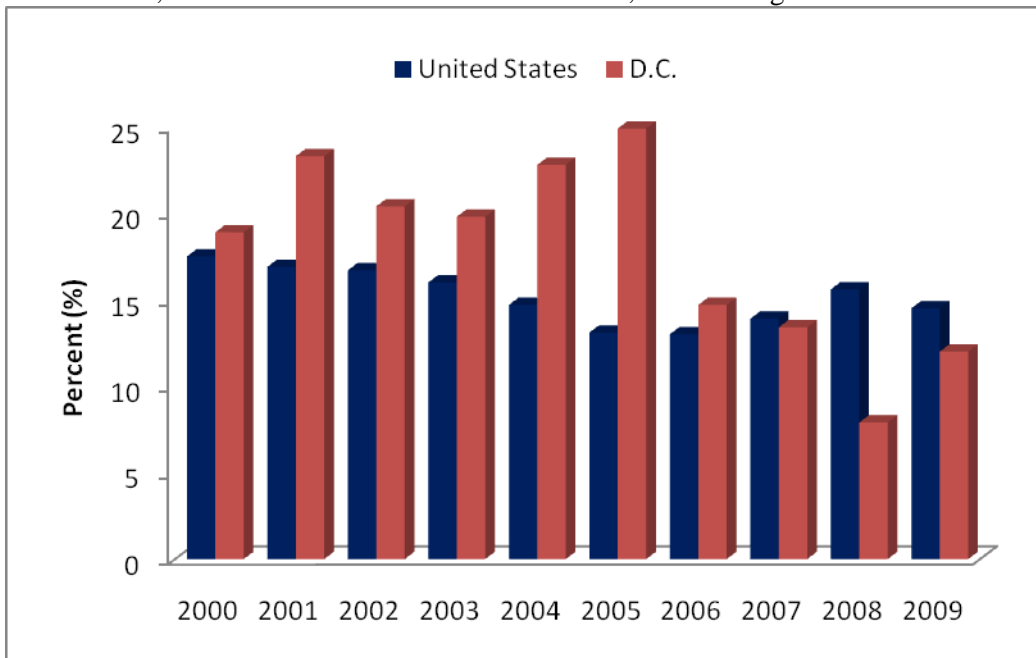
<sup>2</sup>Bureau of Labor Statistics, *Union Members – 2009 News Release*, available at <http://www.bls.gov/news.release/pdf/union2.pdf>.

<sup>3</sup> Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database*, <http://www.unionstats.com/>, utilizing data from the Current Population Survey.

<sup>4</sup> Id.

<sup>5</sup> Id.

Exhibit E1: Union Membership, Percent (%) of Employed Wage and Salary Workers, Construction, United States and District of Columbia, 2000 through 2009



Source: U.S. data – Bureau of Labor Statistics, D.C. data – Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database*, <http://www.unionstats.com/>, utilizing data from the Current Population Survey

2. There is no evidence of a need for PLAs.

Within the District, the federal government has contracted for 14 federal construction projects totaling \$25 million or more during the past decade, representing nearly one half (46 percent) of the federal government’s total construction contract volume in D.C. between fiscal years 2001 and 2009. None of these contracts utilized a PLA and none were associated with any of the labor-oriented problems identified in President Obama’s Feb. 6, 2009, pro-PLA Executive Order 13502 as the sole justifications for government-mandated PLAs.

Experience and data indicate that a sizeable, capable and skilled nonunion labor force exists in the District. Economically, it is sensible for both the federal and D.C. governments to permit access to this pool of construction capacity and to contain costs and promote quality at a time of strained budgets. On the rare occasions when PLAs were imposed by the local D.C. government (e.g., the Washington Convention Center and Washington Nationals’ Stadium projects), costs exceeded budgets and local resident participation objectives were not met.

3. Many District construction firms will be discouraged from bidding under a PLA, depriving projects of the benefits of full and open competition.

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 typically do not perform work under PLAs. Numerous local firms are on record as being unwilling to bid on PLA projects due to the discriminatory impact of such government-imposed requirements.

Since June 2006, which represented the peak month for construction employment in the Washington metropolitan area, construction employment has declined by 35,600 jobs through

November 2009. These levels of construction employment have not been experienced since January 2001, when the U.S. economy edged toward an earlier recession.

### Conclusions

- PLAs are most sensible when the number of unionized construction firms and union workers is high relative to the overall capacity of the industry to provide construction services.
- PLAs are less likely to result in job losses among contractors when construction opportunities are plentiful.
- PLAs are likely to generate particularly large inefficiencies and adverse impact on local contractors and workers in the District of Columbia.
- The number of unionized construction workers in the District is just 1,076 out of a population of 8,870 workers.<sup>6</sup>
- PLAs would produce outsized opportunities for the fewer than one in eight workers who are union members, at the expense of the vast majority.
- Disadvantaged District contractors are overwhelmingly nonunion.
- Because of the paucity of unionized construction capacity, government and government-assisted work under PLAs would become more expensive per square foot constructed; perhaps 20 percent or more expensive based on the experience of other communities.
- Because the construction industry remains in recession, the loss of opportunities to merit shop contractors due to the prevalence of PLAs could be very harmful to competition and to the industry as a whole.
- With the national construction unemployment rate at roughly 27 percent (as of February 2010), the overarching public policy objective should be to promote firm survival.
- Evidence and data demonstrate that a capable and skilled nonunion labor force exists in the District.
- There is no statistical or anecdotal link between the absence of PLAs and the presence of labor strife.
- There is a connection between PLAs and poor construction outcomes, including a lack of local contractor participation and cost inflation.
- Past experience with PLAs in the District indicates that promised benefits to the local construction industry and the taxpayers were not met; instead, taxpayers were adversely affected.

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<sup>6</sup> Barry T. Hirsch and David A. MacPherson, *Union Membership and Coverage Database*, <http://www.unionstats.com>, utilizing data from the Current Population Survey.

# The Problem with PLAs in the District of Columbia

## I. Introduction to the Issue

Free enterprise represents a treasured aspect of America's system of economic organization. For the most part, the nation has placed its confidence in private markets. However, there are times when government must place certain restraints on market operation, including in situations in which there is evidence of market failure (e.g., imperfect competition, moral hazard, externalities, etc.).

In certain cases, the government actually can generate market failure, including by attempting to excessively shape the distributional consequences of market outcomes. Government-mandated project labor agreements (PLAs) represent a type of policy that can induce market failure by transforming a competitive construction marketplace into one associated with a very limited number of competitors. The result is that consumers of construction services have fewer options and face higher bid prices.

PLAs are pre-hire agreements between construction contractors and labor unions that mandate the use of union rules for the duration of a particular construction project.<sup>7</sup> Thus, many argue PLAs provide a significant competitive advantage to union contractors over open shop (nonunion) contractors.

The National Labor Relations Act (NLRA) generally prohibits pre-hire agreements, but provides an exception for PLAs solely within the construction industry.<sup>8</sup> Prior studies assessing the efficiency of government-mandated PLAs have concluded that PLAs increase the government's construction costs by 12 percent to 18 percent.<sup>9</sup> According to the Bureau of Labor Statistics (BLS), in 2008, only 15.6 percent of the nation's private construction industry consisted of union labor. That figure dropped to 14.5 percent in 2009<sup>10</sup>, meaning that 85.5 percent of the private construction workforce nationally is nonunion.

Both the federal government and the D.C. Council are currently considering proposals to increase the usage of government-mandated PLAs on government construction projects. Pursuant to a presidential Executive Order 13502 (Feb. 6, 2009), the General Services Administration has declared that it is considering possible imposition of PLAs on selected large projects in the District of Columbia.<sup>11</sup> In the D.C. Council, a bill has been introduced that would impose PLAs on construction projects that receive \$200,000 or

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<sup>7</sup> See for example Paul Bachman, Sarah Glassman and David G. Tuerck, *Project Labor Agreements on Federal Construction Projects: A Costly Solution in Search of a Problem*, The Beacon Hill Institute at Suffolk University, August 2009, at 11.

<sup>8</sup> U.S. General Accountability Office, *Project Labor Agreements: The Extent of their Use and Related Information* (GAO/GGD -98-82). Washington, D.C.: GAO, May 1998 at 1.

<sup>9</sup> Paul Bachman, Jonathan Haughton and David G. Tuerck *Project Labor Agreements on Federal Construction Projects: A Costly Solution in Search of a Problem*, The Beacon Hill Institute at Suffolk University, August 2009, at 22.

<sup>10</sup> Bureau of Labor Statistics, *Union Members – 2009 News Release*, available at <http://www.bls.gov/news.release/pdf/union2.pdf>.

<sup>11</sup> <http://www.thetruthaboutplas.com/2009/12/27/washington-times-obama-union-push-stymies-contractors/>

more in government assistance.<sup>12</sup> Both proposals have generated considerable opposition from taxpayer groups and the open shop construction community.

- Focus of this report

This report focuses on the economic implications of government-mandated PLAs in the District of Columbia.

There are a number of factors to consider when assessing the efficiency of PLAs. For instance, the more limited the number of union contractors and associated employees, the more widespread the discrimination against nonunion contractors and their employees. Moreover, the more limited the number of union contractors, the less competitive the bidding process for federal or federally funded construction work, resulting in higher offers and less contained federal spending. Finally, the worse the construction economy, the more damaging the discrimination against District-based open shop contractors because they have reduced opportunities to secure replacement work from private sources.

As a region, the District is home to one of the nation's largest concentrations of nonunion labor. This study considered common factors utilized in assessing the economic implications of PLAs, including the presence/absence of skilled nonunion workers and union density among local contractors capable of leading/performing large-scale construction projects.

## II. Key Findings

- Union presence in the District is less than national averages

Union affiliation in the District has been less than national averages since 2007. As reflected in Exhibit 1, union membership nationally has declined from 17.5 percent of construction workers in 2000 to 14.5 percent in 2009, according to the BLS.<sup>13</sup> That represents a decline of 3 percentage points over 8 years. According to an analysis of data from the Current Population Survey, the percentage of union membership in the District's construction industry was 18.9 percent in 2000.<sup>14</sup> In 2009, it stood at 12.0 percent<sup>15</sup>, a decline of 6.9 percentage points over nine years.

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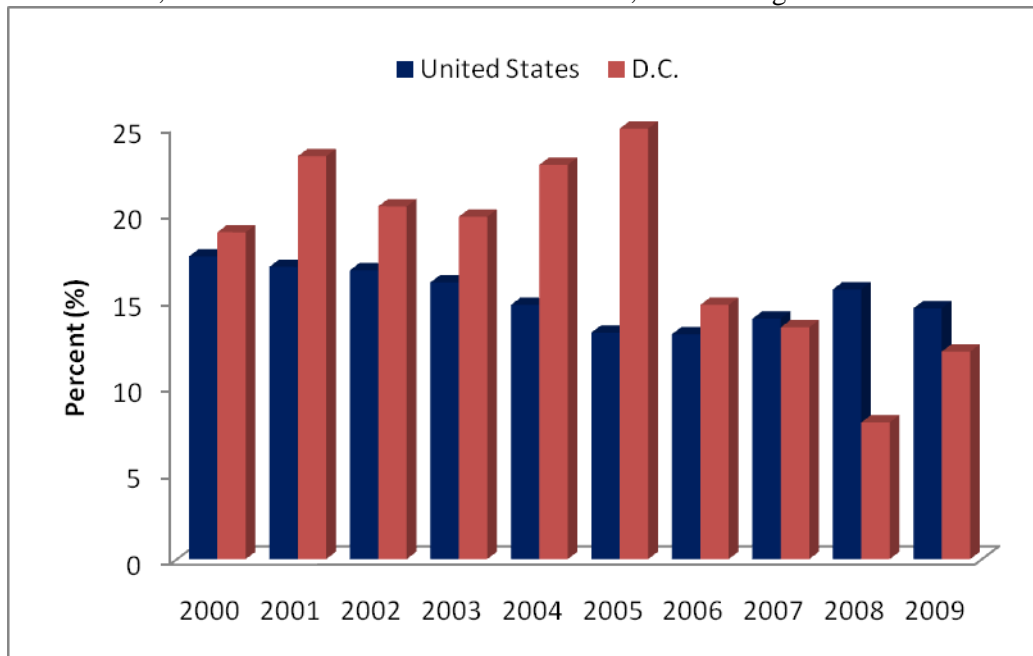
<sup>12</sup> The District Resident Employment and Trade Stimulus Act of 2010 (Bill No. 18-650). <http://www.thetruthaboutplas.com/2010/03/05/>

<sup>13</sup> Bureau of Labor Statistics, *Union Members – 2009 News Release*, available at <http://www.bls.gov/news.release/pdf/union2.pdf>.

<sup>14</sup> Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database*, <http://www.unionstats.com/>, utilizing data from Current Population Survey.

<sup>15</sup> Id.

Exhibit 1: Union Membership, Percent (%) of Employed Wage and Salary Workers, Construction, United States and District of Columbia, 2000 through 2009



Sources: U.S. data – Bureau of Labor Statistics; D.C. data – Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database*, <http://www.unionstats.com/>, utilizing data from the Current Population Survey

In other words, 88 percent of District construction workers are not members of a union. Therefore, the use of PLAs in the District would have the potential to reduce the income-generating opportunities of the vast majority of local construction workers, as well as would concentrate construction opportunities among just a handful of workers. As of 2009, only 1,067 of 8,870 total private construction workers in the District were union members.<sup>16</sup>

- Lack of union membership implies broad discrimination and inefficiency

From a public policy perspective, two major implications stem from the finding that union membership among D.C. construction workers is small and dwindling. The use of PLAs would disproportionately benefit a small minority of workers vis-à-vis workers industry-wide. While this could lead to growing construction backlog among union firms, stabilization in the amount of union dues collected and better gross compensation for union workers, it has the potential to shutter District open shop contractors and put their associated workforces out of work.

- Government-imposed PLAs would deprive taxpayers of the benefits of a large pool of local skilled labor and open competition from local contractors

The District of Columbia Metropolitan Statistical Area is home to some of the largest and most skilled construction firms in the country, the majority of which operate primarily on a nonunion basis. Two of the largest chapters of Associated Builders and Contractors,

<sup>16</sup> Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database*, <http://www.unionstats.com/>, utilizing data from Current Population Survey.

Inc. (ABC) are located in this area: The Metropolitan Washington Chapter and the Virginia Chapter, with more than 1,000 member companies combined. A search of the chapters' online membership directories reveals a significant number of large and highly sophisticated construction contractors, and an equally significant number of small and disadvantaged businesses—all of which employ the majority of local residents who work in the construction industry.

The largest open shop contractors in the D.C. area (i.e., those with annual construction volumes of \$50 million or more) can be identified from ABC's online directory ([www.findcontractors.com](http://www.findcontractors.com)) and are listed in Exhibit 2<sup>17</sup>:

Exhibit 2: Large Merit Shop Contractors in the District of Columbia Metropolitan SMSA (Annual Volume Exceeds \$50 million)

American Systems Corp.	Balfour Beatty Construction
BE&K Building Group	Bovis Lend Lease, Inc.
Bozzuto Construction Co.	Centennial Contractors Enterprises, Inc.
Clark Construction Group, LLC	Coakley & Williams Construction, Inc.
Donohoe Construction Company	Diamond Glaxing, Inc..
The Dietze Construction Group, Inc	DPR Construction, Inc.
Dustin Construction, Inc.	Facchina Construction Co., Inc.
Forrester Construction Co.	Foulger-Pratt Contracting, Inc.
Fortune Johnson, Inc.	Foster Plumbing & Heating
Gilbane Building Co.	Grunley Construction Co.
Harkins Builders, Inc.	Hensel Phelps Construction Co.
HITT Contracting, Inc.	Howard Shockey & Sons, Inc
Hess Construction, Inc.	Jones Lang Lasalle
L.F. Jennings, Inc.	M.C. Dean, Inc.
Manganero Mid-Atlantic, LLC	Mayer Electric Supply
Manhattan Construction Co.	McClone Construction Co.
Miller & Long Co., Inc.	Morgan-Keller Construction
Opus East, LLC Co.	Paradigm Construction
R.W. Murray Co.	SIGAL Construction Corp.
Skanska USA Building, Inc.	Southland Concrete Corp.
Tetra Tech FC	Tompkins Builders, Inc.
Ulliman Schutte Construction, LLC	William A. Hazel, Inc.
WCS Construction	W.M. Schlosser Co., Inc.

A number of these firms filed written comments in a public rulemaking proceeding conducted by the Federal Acquisition Regulatory Councils in 2009 expressing strong

<sup>17</sup> Not all ABC member contractors operate on an exclusively Nonunion basis. Rather, the stated mission of ABC is that construction work should be awarded and performed on the basis of merit, regardless of labor affiliation. The overwhelming majority of the large contractors on the list, along with more than 1,000 smaller ABC member contractors in the Washington, D.C. SMSA, have performed construction projects on a Nonunion basis or have contracted with Nonunion subcontractors, often working side-by-side with union contractors on the same project.

opposition to PLAs.<sup>18</sup> The contractors' comments stated they had each performed hundreds of millions of dollars worth of construction work on large government projects, including work in the D.C. area. None of the contractors had encountered any labor problems that interfered with their project completion dates or budgets. Each large contractor further testified that it typically subcontracts out significant amounts of work on government-assisted projects to small and disadvantaged nonunion businesses. All of these large contractors testified that neither they nor their subcontractors are willing to bid or perform construction work under government-imposed PLAs.

The same anti-PLA preference is widespread among the smallest and disadvantaged construction firms in the D.C. area, as reflected by a recent survey of the D.C. Government's Certified Business Enterprise (CBE) firms. Out of 160 CBE firms surveyed in February and March 2010, 147 (92 percent) stated they operate exclusively on a nonunion basis.<sup>19</sup>

Furthermore, according to a 2000 survey conducted by Weber-Merritt<sup>20</sup>, more than 70 percent of public works contractors in the Washington, D.C., metropolitan area indicated they would be "less likely" to participate on PLA-associated public construction projects.<sup>21</sup> More than 98 percent of government contractors surveyed by ABC that had worked on federal construction projects exceeding \$25 million between 2001 and 2009 indicated they also would be "less likely" to bid on such contracts under a PLA.<sup>22</sup>

A reduction in bidding would decrease competition and would increase the costs of construction borne by government. This cannot be considered sound public policy, particularly in the current context of massive federal budget deficits and trillions of dollars in unfunded Social Security and Medicare obligations, along with unforeseeable homeland security and defense requirements.

- The construction economy already has many firms on the precipice

According to the Bureau of Labor Statistics, national construction unemployment stood at a whopping 27.1 percent in February 2010, far exceeding the overall national rate of 9.7 percent. Between February 2006 and February 2010, the construction industry lost 2.1

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<sup>18</sup> Contractor Comments and Submissions re: Federal Acquisition Regulation: FAR Case 2009-005, Use of Project Labor Agreements For Federal Construction Projects (See, e.g., Comments of Facchina Construction Co., Hensel Phelps Construction Co., Manhattan Construction Co., HITT Contracting, Miller and Long Construction Co.) available at <http://www.regulations.gov/search/Regs/home.html#docketDetail?R=FAR-2009-0024>.

<sup>19</sup> Significantly, the proposed PLA bill pending in the D.C. Council attempts to carve out CBE firms from its PLA requirements. Nevertheless, the CBE firms are primarily subcontractors that will be adversely affected by reduced competition among the larger contractors on which they depend for government-assisted contracts.

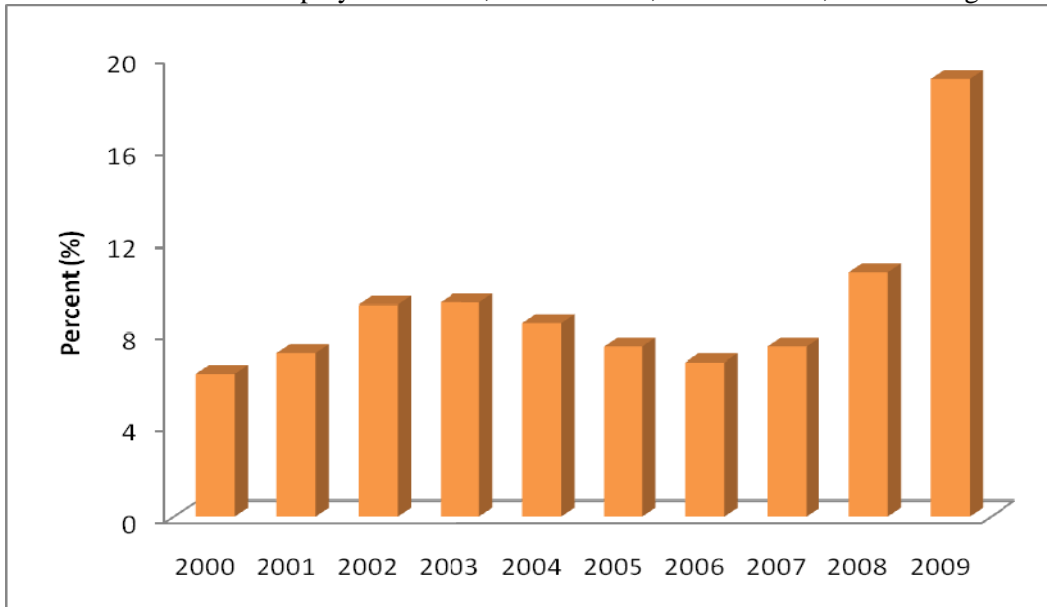
<sup>20</sup> *The Impact of Union-Only Project Labor Agreements on Bidding by Public Works Contractors in the Washington, D.C. Area*, Weber-Merritt, available at <http://abc.org/plastudies>.

<sup>21</sup> *Id.* at 1.

<sup>22</sup> *Survey of Government Construction Contractors: Extent of Labor Problems on Federal Contracts*, Associated Builders and Contractors. <http://www.thetruthaboutplas.com/2009/08/14/new-evidence-shows-project-labor-agreements-will-injure-competition/>

million jobs, representing a 27.7 percent decline. Exhibit 3 provides annual data on industry unemployment.

Exhibit 3: Annual Unemployment Rates, Construction, United States, 2000 through 2009



Source: Bureau of Labor Statistics

Local data reflect similar levels of industry deterioration due to the recession that began in December 2007 and continues in most construction segments, nonresidential or otherwise. For instance, according to the U.S. Census Bureau, between 2005 and 2008 building permits authorized for new privately owned housing units in the District declined from 2,860 to 536. Since June 2006, which represented the peak month for construction employment in the Washington metropolitan area, construction employment has declined by 35,600 through November 2009. These levels of construction employment have not been experienced since January 2001.

Because of the weakness of the contracting environment, an emphasis on PLAs could doom many struggling firms to permanent failure, causing further job losses and firm destruction in the District of Columbia and broader metropolitan area. This is inconsistent with the goal of accelerating economic and business vibrancy in the region and in the United States. As Exhibit 4 shows, the construction industry lost 1.17 million jobs during the last 10 years, experiencing substantial losses during the intervening intervals.

Exhibit 4: Employment Change, Construction, United States, Absolute and Percent (%), February 2000 through February 2010

	Absolute	Percent (%)
February 2000 through February 2010	-1,175,000	-17.5
February 2001 through February 2010	-1,286,000	-18.8
February 2002 through February 2010	-1,211,000	-17.9
February 2003 through February 2010	-1,112,000	-16.7
February 2004 through February 2010	-1,283,000	-18.8
February 2005 through February 2010	-1,598,000	-22.3

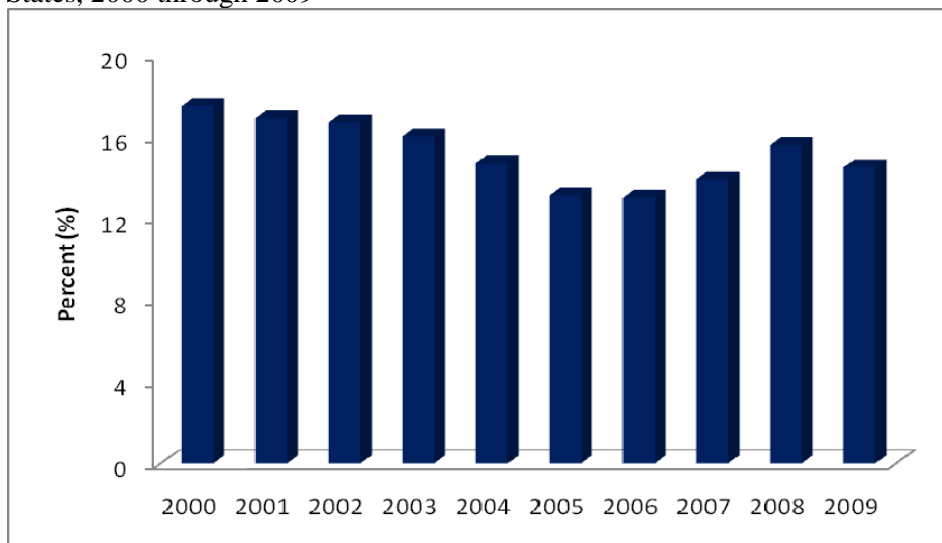
February 2006 through February 2010	-2,123,000	-27.7
February 2007 through February 2010	-2,077,000	-27.2
February 2008 through February 2010	-1,884,000	-25.3
February 2009 through February 2010	-880,000	-13.7

Source: Bureau of Labor Statistics

- Union membership is waning nationally

Exhibit 5 reflects the downward trend in national union membership during the past nine years in general, though the membership proportion increased between 2007 and 2008. Still, the national proportion of union membership remains below 20 percent.

Exhibit 5: Union Membership, Percent (%) of Wage and Salary Workers, Construction, United States, 2000 through 2009



Source: Bureau of Labor Statistics

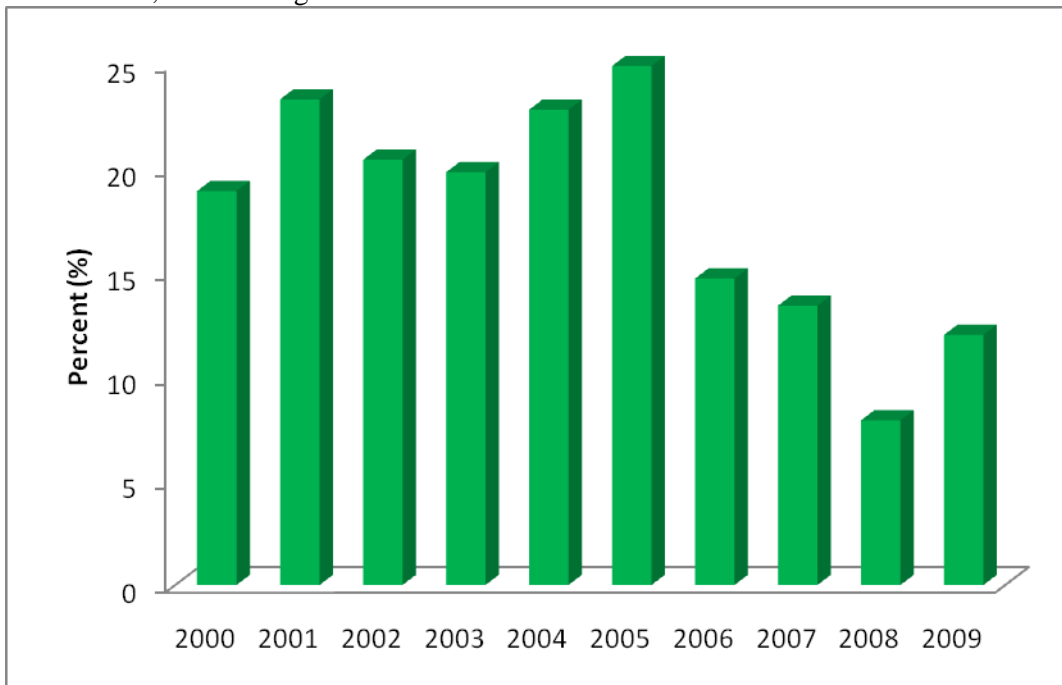
### Washington, D.C., in a Statistical Perspective

- Not much union presence in the District

As Exhibit 6 reflects, the District's union membership decreased substantially between 2005 and 2009, dropping from 24.9 percent to 12.0 percent.<sup>23</sup>

<sup>23</sup> Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database*, <http://www.unionstats.com/> utilizing data from the Current Population Survey.

Exhibit 6: Union Membership, Percent (%) of Wage and Salary Workers, Construction, District of Columbia, 2000 through 2009



Source: Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database*, <http://www.unionstats.com/>, utilizing data from the Current Population Survey

- No identifiable PLA need in the District

Between fiscal years 2001 and 2009, there were 7,762 federal construction contracts related to the construction of facilities or structures in the District. These contracts utilized 654 separate contractors and were associated with an aggregate dollar amount of \$2,723,921,692. As Exhibit 7 reflects, during this period, 14 federal construction contracts in the District exceeded \$25 million. These contracts were associated with an aggregate dollar amount of \$1,250,775,750. None of these contracts used a PLA and none were associated with labor-oriented problems. In other words, the absence of PLAs appears to be correlated to an utter lack of labor-related strife in the District of Columbia.<sup>24</sup>

Exhibit 7: Federal Construction Contracts Exceeding \$25 Million, District of Columbia, FY 2001 through 2009

Fiscal Year	Number of Contracts	Total Dollar Value
2001	2	\$84,817,000
2002	1	\$103,722,000
2003	0	\$0
2004	2	\$89,737,000
2005	0	\$0
2006	2	\$120,715,918
2007	1	\$100,945,633
2008	3	\$157,449,349

<sup>24</sup> <http://www.usaspending.gov>.

2009	3	\$593,388,850
<b>Totals (FY 2001 through 2009)</b>	<b>14</b>	<b>\$1,250,775,750</b>

Source: usaspending.gov

## The District’s Prior Experience with Project Labor Agreements

- The D.C. Convention Center

While the absence of PLAs has been associated with good and predictable outcomes, the presence of PLAs has been associated with negative outcomes. For instance, before the Washington Convention Center construction project entered into a PLA, estimated costs stood at \$650 million.<sup>25</sup> Actual construction costs post PLA reached \$850 million.<sup>26</sup>

Dozens of local nonunion contractors qualified to perform the work elected not to bid on the project due to its union requirements. Instead, numerous out-of-town union contractors were imported by the construction manager to perform project-related work across varying trades, including glass installation, drywall, landscaping, painting, steel erection, electrical, structural steel, precast concrete, excavation and mechanical/plumbing.<sup>27</sup> The result is that the construction of the D.C. Convention Center produced less economic impact and generated fewer job opportunities for local workers than would have been the case without a PLA.

It is also worth noting that in April 2001, midway through construction under the union-only PLA, part of the convention center roof collapsed. Engineers probing the collapse ultimately determined that improper installation of a 180-foot steel truss by unionized ironworkers employed by an out-of-town contractor contributed to the collapse. The supplier of the steel, Havens Steel of Kansas City, later declared bankruptcy.<sup>28</sup>

- The Washington Nationals Stadium

The Nationals Stadium PLA was announced in June 2006. It included significant requirements aimed at ensuring job creation for D.C. residents—one of the primary stated purposes behind the PLA.<sup>29</sup> For instance, the PLA required D.C. residents to perform at least 50 percent of higher-paying journeyman hours; 100 percent of new apprenticeships were to go to D.C. residents; and D.C. residents were to represent at least 51 percent of new hires.<sup>30</sup> Though the Stadium Authority first claimed the project was completed

<sup>25</sup> D.C. Auditor’s Report.

<sup>26</sup> The Washington Business Journal, March 2003.

<sup>27</sup> The Washington Business Journal, June 11, 2003.

<sup>28</sup> Washington Post, May 11, 2001; Engineering News-Record, April 30, 2001

<sup>29</sup> *Broken Promises, Big Losses: The Story of D.C. Workers Watching From the Dugout as the \$611 Million Washington Nationals Stadium is Built*, The District Economic Empowerment Coalition October 1, 2007, at 3.

<sup>30</sup> Id.

within its budget, a subsequent dispute with the Nationals' owners revealed that the cost of completing the stadium exceeded budgeted cost estimates.<sup>31</sup>

According to a study conducted by the District Economic Empowerment Coalition<sup>32</sup>, by October 2007, District residents had performed only 28.9 percent of hours worked; only 17 of 56 firms met the 100 percent apprenticeship condition; and only 34 percent met the 51 percent District resident new hires threshold. In other words, the PLA utterly failed to achieve its key objectives.<sup>33</sup> A 2008 report by Clark/Hunt/Smoot submitted to the D.C. Sports and Entertainment Commission<sup>34</sup> concluded that D.C. residents lost \$12.3 million in wages, and that 74 percent of higher-paying journeyman hours actually went to non-District residents.<sup>35</sup>

## Conclusion

PLAs are most sensible when the number of unionized construction firms and union workers is high relative to the overall capacity of the industry to provide construction services. PLAs also are less likely to result in job losses among open shop contractors when construction opportunities are plentiful.

This report concludes that PLAs are likely to generate large inefficiencies and open shop contractor destruction in the District of Columbia. The number of unionized construction workers in the District is just 1,076 out of a population of 8,870 workers.<sup>36</sup> In other words, 88 percent of construction workers in the District are not union members. PLAs would produce outsized opportunities for the fewer than one in eight workers who are union members at the expense of the vast majority—and at the expense of taxpayers in the form of reduced competition and higher construction costs. Moreover, because of the paucity of unionized construction capacity, government-assisted work would become more expensive per square foot constructed; perhaps 20 percent or more expensive based on the experience of other communities.

Because the construction industry remains in recession, the loss of opportunities to open shop contractors due to the prevalence of PLAs could be very harmful to the industry as a

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<sup>31</sup> Michael Neibauer, *Nationals Park costs rise, sports commission struggles*, Washington Examiner, October 21, 2008; David Nakamura, *Some Council Members Criticize Nats Settlement*, Washington Post, October 21, 2008.

<sup>32</sup> *Broken Promises, Big Losses: The Story of D.C. Workers Watching From the Dugout as the \$611 Million Washington Nationals Stadium is Built*, The District Economic Empowerment Coalition October 1, 2007.

<sup>33</sup> *Broken Promises, Big Losses: The Story of D.C. Workers Watching From the Dugout as the \$611 Million Washington Nationals Stadium is Built*, The District Economic Empowerment Coalition October 1, 2007 at 3.

<sup>34</sup> *Setting a New Standard for Economic Inclusion for District Businesses and Workers in the Construction of the New Nationals Ballpark*. A report to the DC Sports & Entertainment Commission, Matthew Cutts, Chairman; Erik Moses, CEO; Courtland Cox Director of LSDBE Development (Clark/Hunt/Smoot 9/19/2008); *The True Cost of the Washington Nationals Ballpark Project Labor Agreement*, DC Progress, available at <http://dcprogress.org/OP-09-12-02.pdf>, at 8, 14 (Footnote 9).

<sup>35</sup> *The True Cost of the Washington Nationals Ballpark Project Labor Agreement*, DC Progress, available at <http://dcprogress.org/OP-09-12-02.pdf>, at 8.

<sup>36</sup> Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database*, <http://www.unionstats.com/>, utilizing data from Current Population Survey.

whole. With the national construction unemployment rate at roughly 27 percent (as of February 2010), the overarching public policy objective should be to promote firm survival. Indeed, this was one of the arguments that supported the passage and implementation of the \$787 billion American Recovery and Reinvestment Act of 2009, which includes a roughly \$135 billion infrastructure investment component.

Finally, evidence and data demonstrate that a capable and skilled nonunion labor force exists in the District. For reasons of budgetary management, it is important that government-associated policy capitalize on this labor. Evidence also strongly suggests that construction outcomes are superior in the District in the absence of PLAs. There is no statistical or anecdotal link between the absence of PLAs and the presence of labor strife. There is, however, a connection between PLAs and poor construction outcomes, including a lack of local contractor participation and construction cost inflation.

## Appendix

### Exhibit A1: Survey Responses, Union Affiliation, Certified Business Enterprises, Construction/Contracting Firms, District of Columbia

Company	Affiliation
A. Wash & Associates	Union
AABLE Building Co, LLC	Union
A.H. Jordan Plumbing & Mechanical, LLC	Nonunion
Absolute Builders, Inc.	Nonunion
Acosta Consulting, LLC	Nonunion
Acumen TSC, Inc.	Nonunion
Affordable Home Improvement	Nonunion
AG Contracting Services LLC	Nonunion
AJK Enterprises, LLC	Nonunion
Allstate Floors of DC, LLC	Nonunion
Ammka International, Inc.	Nonunion
Anchor Construction Company	Nonunion
AQ Contractors, LLC	Nonunion
ARC Consultants, LLC	Nonunion
ARC Metal Fabricators, Inc	Nonunion
ARJ Enterprises, LLC	Nonunion
ARJ Group, Inc.	Nonunion
Arrow Construction Company, LLC	Nonunion
AVSmoot, LLC	Nonunion
Banneker Ventures, LLC	Nonunion
BDC Construction, LLC	Nonunion
BDC Unconventional Partners, LLC	Nonunion
BEDD Group, LLC	Nonunion
Blackwood of DC, LLC	Nonunion
Blue Skye Construction, LLC	Nonunion
Blue Skye Development, LLC	Nonunion
Brothers Concrete Construction, Inc.	Nonunion
Broughton Construction Company, LLC	Nonunion
Bundy Development Corporation	Nonunion
C & A Electric, Ind dba Daniels Electric	Nonunion
CNC Concrete, LLC	Nonunion
Capital Building Corporation	Nonunion
Capital City Associates, Inc.	Union
Capital Commitment Solutions, LLC	Nonunion
Capitol Paving of DC, Inc.	Nonunion
Centennial Builders, Inc.	Nonunion
Central Armature Works, Inc.	Nonunion
Chiaromonte Construction Co., dba CC Co.	Nonunion
Clay Services, Inc.	Union
Columbia Enterprises, Inc.	Nonunion
Connally Contracting Corporation	Nonunion
Construction and Safety Services, LLC	Nonunion
Continental Construction, Inc.	Nonunion
Curtis Equipment, Inc.	Nonunion

D & C Construction, LLC	Nonunion
DC Fire Protection, LLC	Nonunion
Delis Segovia T/A Segovia Construction	Nonunion
Diversified Engineering & Architecture	Nonunion
Eagle Construction and Building Supplies	Nonunion
EagleVision Ventures, LLC	Nonunion
Efficiency Contractors, LLC	Nonunion
Elio Brothers Services, Inc.	Nonunion
Emergency Service Hauling, Waste & General Contracting	Nonunion
Engineering Contractors, Inc.	Union
Environmental Design & Construction, LLC	Nonunion
Executive Contractors, LLC	Nonunion
Express Design & Renovation	Nonunion
FloorSpace, LLC dba Forge Construction	Nonunion
Focus Contracting	Nonunion
Forney Enterprises, Inc.	Nonunion
Fort Meyer Construction Corporation	Union
Garcia's Handyman Service, Inc.	Nonunion
Gatekeepers Internet Marketing, Inc.	Nonunion
General Services and Marketing, Inc.	Nonunion
Gilford Construction Corporation	Nonunion
Glo Electrical Service	Nonunion
Goel Services, Inc. (formerly Goel Construction Service, Inc.)	Nonunion
Goldin & Stafford, Inc.	Nonunion
GT Contracting Corporation	Nonunion
Harrison Contractors	Nonunion
HEGA Construction Co., Inc.	Nonunion
Hodges Enterprise, Inc.	Nonunion
HR General Maintenance Corporation	Nonunion
Hugee, Corporation	Nonunion
Imani Contractors, LLC	Nonunion
Indigo Engineering Group, LLC	Nonunion
Inner City Development, LLC	Nonunion
J & T Construction & Management, LLC	Nonunion
James E. Newell Decorators	Nonunion
Jones Electric Company, Inc.	Nonunion
Joseph J. Magnolia, Inc.	Nonunion
Justin Company	Nonunion
Keystone Plus Construction Corporation	Nonunion
L.A. Howard Construction Company	Nonunion
Lakota Contracting, Inc.	Nonunion
LBS Properties, LLC t/a Pounds Properties, Pounds Construction	Nonunion
Magnolia Plumbing, Inc.	Nonunion
Mahogany Interiors, Inc.	Nonunion
Margni Incorporated	Nonunion
Mars Construction, LLC	Nonunion
Matadi Construction, LLC	Nonunion
McCullough Construction, LLC	Nonunion
Melton Group, LLC	Nonunion
MET Painters, Inc.	Nonunion
Milani Construction, LLC	Nonunion

MN Construction Services Company	Nonunion
Modern Construction, LLC	Nonunion
Molecular Systems, Inc.	Nonunion
Moore's Electrical Service and Design	Nonunion
Mosaic Investment Group, LLC dba Mosaic Construction & Engineering	Nonunion
N.P.P. Contractors, Inc.	Nonunion
Nastos Construction, Inc.	Nonunion
New Heights, Development, LLC	Nonunion
Nextgen Construction & Renovation, LLC	Nonunion
Oak Street Partners, LLC	Nonunion
O'Donnell Construction Company	Nonunion
OJ Firestop Services, LLC	Nonunion
Osborne Communications, Inc.	Nonunion
P & D Drywall Contractor, LLC	Nonunion
P & P Construction LLC	Nonunion
PeopleReach, LLC	Nonunion
Perkins Building Resources, LLC	Nonunion
Platinum Investment	Nonunion
Providence Construction and Contracting Services	Nonunion
Punch Out Specialist Team (P.O.S.T.)	Nonunion
Quality Construction Management/Goddard, Inc.	Nonunion
Quality Consulting Services Corporation T/A QCS Corporation	Nonunion
Quality Interiors, LLC	Nonunion
R.C. Bailey Development	Nonunion
RBK Construction & Development Corporation	Nonunion
Regional Contracting Services, LLC	Nonunion
Renovations by Hurricane Properties, LLC	Non- Union
RJB Consulting Group, Inc.	Nonunion
Rodgers Brothers Custodial Services, Inc.	Nonunion
S2 Design & Build	Nonunion
SaiComm LLC	Nonunion
Schaefer-Friedman, LLC T/A Logan Hardware	Nonunion
Scoe Associates Corporation	Nonunion
Scott Wellington Ltd., Inc.	Nonunion
Sim-G Technologies LLC	Nonunion
Service Max, Inc.	Union
Sophie-J, LLC	Nonunion
Specialty Construction Management, Inc.	Nonunion
Spectrum Management, LLC	Nonunion
Stanton Development Corp	Nonunion
Steele Foundations, LLC	Union
Sun Development Corporation	Nonunion
Sunrise Development Corporation	Nonunion
Sunshine Realty, LLC	Nonunion
Sustainable Power Systems	Nonunion
The Argos Group, LLC	Nonunion
The Donohoe Companies, Inc	Nonunion
The Lexx Group, Inc.	Nonunion
The Middleton Group, LLC	Nonunion
The Phoenix Financial Group, LLC	Nonunion
The Temple Group, Inc.	Nonunion

The Walker Group	Nonunion
The Warrenton Group LLC	Nonunion
Titus, LLC	Union
Total Management, Inc.	Nonunion
Tompkins Builders, Inc.	Union
Trusted Solutions Group, Inc	Nonunion
Union Waterproofing, LLC	Union
Uptown, Inc.	Union
Utley Mechanical	Union
WCS Construction, LLC	Nonunion
William P. Gelberg Inc./ Gelberg Signs	Nonunion
Wings Enterprises, Inc.	Nonunion
W.L. Gary Company, Inc.	Union
WSC, Inc.	Nonunion

Source: Associated Builders and Contractors using CBE list maintained by District of Columbia government

## **About the Author**

Anirban Basu is Associated Builders and Contractors' (ABC) chief economist, providing ABC with timely, comprehensive analyses of important trends in the U.S. commercial and industrial construction industry. He produces ABC's [Construction Backlog Indicator](#) (CBI), a report based on a monthly survey of ABC members that measures work to be performed by contractors to assess the health of the construction industry.

In addition, he produces the one-page economic news report, [Construction Economic Update](#), which analyzes the following federal government economic indicators: construction spending, employment, producer price index and gross domestic product. Basu also writes a monthly column for [Construction Executive](#) magazine.

Basu earned a Bachelor of Science in foreign service at Georgetown University in 1990. He earned his master's in public policy from Harvard University's John F. Kennedy School of Government, and his master's in economics from the University of Maryland, College Park. Basu earned his Juris Doctor at the University of Maryland School of Law in 2003.

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