

# ***POLICY BRIEF***

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## **Pennsylvania Needs Open Competition**

As many studies over the past decade have clearly demonstrated, economic freedom and economic growth are strongly correlated. Unfortunately, a 1999 report found Pennsylvania ranked 45<sup>th</sup> of fifty states in terms of economic freedom, in part due to its plethora of regulatory mandates that limit freedom and restrain private sector activity. An example is the “union only project labor agreement” by which Pennsylvania effectively limits work on government-funded projects to union members.

Pennsylvania House Bill 1123--the Open Competition Act--is a simple, straightforward remedy. It prohibits Pennsylvania, any of its political subdivisions or any state agency from mandating either union or nonunion labor for public works projects. Contractors will bid as they see fit and utilize the workforce they decide is best. Whether a company uses organized labor or nonunion labor, as long as it meets all requirements while submitting the lowest bid, it wins.

Irrelevant conditions imposed on the contracting agency or those bidding on the work are unfair to many contractors and to the taxpayer who ultimately is handed an inflated bill. Pennsylvania practice now favors union labor. The bill before the House offers an opportunity to end that practice. Justifications offered for restricting the bidding process are myriad and spurious.

Claims that “only” union contractors can guarantee workers qualified for the job or that organized labor is more highly skilled, experienced, and productive, and will complete the project at a lower cost are simply untrue. Such were the claims made by New York’s Governor George Pataki in October 1999, when he announced the reconstruction of the Cross Westchester Expressway. The project was estimated to cost \$250 million, and Pataki stated: “Project labor agreements (PLA) are an effective means to complete projects quicker and at considerably less cost.” A press release in January of 2000 put an actual figure--\$8.4 million--on the cost savings expected from “work efficiencies” to be achieved under the agreement. Today the work is estimated at more than \$350 million to complete—so much for cost savings.

PLAs are defended as “guaranteeing” no strikes or other work stoppages. However, during the construction of San Francisco’s airport expansion, carpenters struck over wages, even though their union had signed a PLA. In a show of “solidarity,” union electricians, plumbers and painters also struck. The work stoppage, which the PLA was supposed to prevent, was estimated to cost more than \$1 million and pushed the project months behind schedule.

It is obvious that unions are exerting political influence far out of proportion to their actual numbers. According to the AFL-CIO, there were 670,000 union members in Pennsylvania in

2000, slightly less than 17 percent of total workers. It is unimaginable that any other minority in the state would have their exclusive right to work on state funded projects mandated by law. Bill 1123 enhances economic freedom by affirming the right of all workers to compete. The superiority of union vs. open shops will be determined where it should—in the free market. This boils down to a question of basic fairness. What of the 80 percent of workers and companies that are non-union? These companies and employees pay their fair share of Pennsylvania state taxes but as of now can be shut out of government projects. It is essential that these citizens have their rights restored—primary among them the right to earn a living. Precluding the majority of firms and their employees from even bidding on state and government contracts is contrary to the core principles of our society.

The harsh reality is that absent competition costs are higher than they should be. Without the discipline of competition there is little incentive to innovate or to pass any benefits from increased efficiencies through to the customer. What evolves is an escalating cost structure with no benefit to the public. House Bill 1123 ensures an open contest. What could be more equitable?

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**Paul Stifflemire, Senior Policy Analyst**

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*Note: There is a Rascals meeting on Saturday, July 28<sup>th</sup>, 9:00 a.m., Holiday Inn, McKnight Road. Bill Green of William J. Green & Associates will be the guest speaker. Breakfast cost is \$10.00. RSVP to Woody at 412-487-3065, fax (412) 487-2969, or E-mail: [woodymcv@telerama.com](mailto:woodymcv@telerama.com).*

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