COMMONWEALTH FOUNDATION | FACT SHEET

How Construction Mandates Increase Costs

Project Labor Agreements and Prevailing Wage Drive up Costs in Pennsylvania

SUMMARY

- In 2024, Gov. Josh Shapiro directed state agencies to attach Project Labor Agreements (PLAs) to state construction projects. These mandates increased costs—anywhere between 13 percent and 19 percent—in other states.
- Government construction projects above $25,000 (with limited exceptions) must pay workers a prevailing wage, based primarily on union construction collective bargaining agreements.
  - Recent legislation expanding prevailing wage will increase construction costs by 10 to 30 percent. This is moving Pennsylvania in the wrong direction.
- PLA and prevailing wage requirements raise costs, result in more idle time at construction sites, and discriminate against 85 percent of Pennsylvania's construction workers.
- Lawmakers should prohibit PLAs on public projects and raise the long-frozen prevailing wage threshold.

WHAT ARE PROJECT LABOR AGREEMENTS?

Project Labor Agreements are pre-hire collective bargaining agreements between contractors and labor unions that outline the terms and conditions before a bid is made for a public construction project. They often reflect the terms of existing private union collective bargaining agreements.

- On March 27, 2024, Gov. Josh Shapiro issued a directive "for all Commonwealth agencies under his jurisdiction to evaluate and implement the appropriate use of Project Labor Agreements on Commonwealth projects."[1]
- On September 30, 2025, Philadelphia Mayor Cherelle Parker signed an executive order directing city agencies to develop PLAs before selecting contractors for taxpayer-funded projects.[2]

WHAT IS PREVAILING WAGE?

The prevailing wage is the minimum rate contractors must pay a worker on a public construction project. Currently, 29 states and the District of Columbia have prevailing wage laws.[3]

- In Pennsylvania, a public construction project becomes subject to prevailing wage once its estimated cost exceeds $25,000.[4] This threshold was enacted in 1963.[5] If the threshold were indexed to inflation, today's threshold would be more than $277,000.
  - The only reform to the threshold came in 2013, when it was raised to $100,000 for local highway and bridge projects.[6] By comparison, Ohio's threshold is far higher at $250,000 for new building construction.[7] Michigan currently has no minimum dollar limit.

Pennsylvania's Department of Labor and Industry sets the rate for each project based on job classification, location, county-level wage data, and collective bargaining agreements in four categories: Building, Highway, Heavy, and Residential.[8]

Collective bargaining agreements play an outsized role, given nonunion contractors are less likely to report uniform, stable wage rates based on job classification rather than performance and market competition.

PROBLEMS WITH PROJECT LABOR AGREEMENTS

- PLA provisions serve as handouts for labor unions at the expense of workers and taxpayers. PLAs may require union labor on a project, or even borrow language from the collective bargaining agreements of the unions involved.[9] Such provisions can raise costs.
  - Studies found PLAs increased construction costs by more than 16 percent in New Jersey, 13 percent in Ohio, and 19 percent in Connecticut.[10]
  - There is no evidence that PLAs improve job site safety or productivity.[11]
- PLAs discriminate against merit shop contractors, who account for over 85 percent of Pennsylvania's private construction workforce.[12]
  - One study found that merit shop workers on PLA-governed projects see a 34 percent drop in take-home compensation because they are forced to pay into union benefit plans they will never utilize.[13]
  - In 2019, the Commonwealth Court struck down a Montgomery County PLA, ruling that it discriminated against merit shop contractors.[14]
- PLAs typically disallow multiskilling, which lets qualified workers perform select tasks outside their primary trade.
  - Multiskilling helps address the chronic shortage of construction workers. Associated Builders and Contractors' 2026 study of 60 multiskilled crews found that they spent about 39 percent more time directly advancing construction work and about 68 percent less idle time. Limiting workers to a single trade would have required 45 to 72 percent more workers for the same project.[15]
  - Pennsylvania Department of Labor and Industry reports that the commonwealth is facing a shortfall of more than 300,000 skilled trade workers by 2030; multiskilling can help address the gap.
  - Multiskilling can improve safety. In the same study, researchers reported a recordable incident rate 57 percent below the industry benchmark.

PROBLEMS WITH PREVAILING WAGE

- Prevailing wage requirements push public construction costs well above those of comparable private projects.
  - The Pennsylvania State Association of Boroughs found prevailing wage rates exceeded market rates by 30 to 76 percent across the commonwealth.[16]
  - Research in West Virginia and Ohio suggests that exempting school construction from prevailing wage could cut costs by 7 to 10 percent.[17]

- Studies in Michigan and New York estimate that prevailing wage mandates add 8.5 to 25 percent to public construction costs.[18] Regardless, Michigan lawmakers reinstated prevailing wage requirements in 2023.[19]
- Five states (Arkansas, Kentucky, Wisconsin, West Virginia, and Indiana) repealed their prevailing wage laws over the past ten years and reported cost savings.

- There is no evidence that prevailing wage requirements affect construction quality. Projects must meet the same building codes either way.
- The prevailing wage minimum threshold is outdated and far too low. Pennsylvania's current threshold is $25,000, and if adjusted for inflation, it would be more than $277,000.
  - In neighboring Ohio and Maryland, the minimum threshold is far higher. In Ohio, a dual-tiered structure sets two minimums: $75,000 and $250,000.[20] In Maryland, the primary minimum threshold is either $250,000 or when a project receives at least 25 percent funding from the state.[21]
- Inflexible prevailing wage mandates will prevent all Pennsylvanians from accessing broadband, and labor classification mandates inflate broadband infrastructure costs.
  - Pennsylvania has no classification for workers who install broadband lines and who typically earn about $55 an hour in the private sector.
  - In May 2026, the federal government agreed to allow the state Department of Labor and Industry to categorize these workers as "electric linemen," with prevailing wage rates above $90 an hour.
  - The Broadband Communications Association of Pennsylvania (BCAP) warns this mandate will increase broadband project costs by more than 50 percent, severely limiting the Commonwealth's ability to achieve universal coverage for unserved residents."[22]
- SB 908 expanded prevailing wage requirements to off-site custom fabrication and HVAC duct cleaning. Local governments estimate construction costs will climb by 10 to 30 percent, eventually driving up local taxes. [23] [24]
- Prevailing wage laws have racist origins. Congress passed the federal Davis-Bacon Act in 1931, designed in part to keep out-of-state workers, primarily Black laborers from the South, off public construction projects.[25]

SOLUTIONS

- Lawmakers should prohibit the use of PLAs on public construction projects. A ban would encourage fair competition between union and merit shop contractors and keep costs down on taxpayer-funded projects.
- Lawmakers should raise the prevailing wage threshold. Adjusting for six decades of inflation and tying future increases to inflation would protect taxpayers from rising costs.

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