

PRODUCTIVITY ENHANCEMENT

# Project Labor Agreements

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# Executive Summary

Project labor agreements (PLAs) are prehire collective bargaining agreements that establish the terms and conditions of employment on one or more construction projects. PLAs are typically the product of negotiations between a group of unions, usually represented by a building, construction trades' council and the representative of a construction user, most often a construction management firm. Unlike local construction collective bargaining, contractors and contractor associations have little or no role in such negotiations. PLAs require all contractors working on a project to adhere to collectively bargained terms and conditions of employment, whether they are normally union or nonunion contractors. PLAs have undergone considerable evolution over the years. Once used almost exclusively on very large projects that were either extremely isolated or that overwhelmed the capacity of the local construction labor market, PLAs are now used on a variety of private and public projects.

The use of PLAs in the public sector has raised questions about possible conflicts with state or local bidding regulations. As a result, all branches and levels of government have become involved in the controversy, which, in turn, has drawn both media attention and spurred a fair amount of research. However, as our review shows, most of the research is of low quality and little use in determining whether PLAs actually affect bidding behavior, wages, construction costs, etc.

The current report is possibly the broadest ranging and most detailed study of PLAs conducted to date. While prior studies have focused on a particular PLA project and addressed one or two narrowly defined issues, in this study we examine a large number of projects using a variety of techniques, including archival research, interviews, case studies and the statistical analysis of original data.

We ask a number of questions, including the following: What is a PLA? How do PLAs differ? What does prior research tell us about the effects of PLAs on construction projects? How do individuals with experience with PLAs view these agreements? How do PLAs affect the outcomes of construction projects? In what ways can PLAs be used to address the strategic needs of a project?

There are several central findings of this study. Perhaps most important, we find that there is no substantial evidence that PLAs decrease the number of bidders or change the costs of construction projects. Although our findings run contrary to prior research, we believe that most previous studies failed to account for important influences on construction costs. Therefore, effects were falsely attributed to PLAs that actually belonged to unobserved variables.

We arrived at our conclusions on bidding behavior by studying two adjacent school districts in San Jose, California. Both began extensive school construction in 2002. In 2004, one school district

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signed a PLA, while the other did not. While the number of bids per bid opening decreased after the PLA in the former district, they also decreased in the district that did not sign a PLA. The decrease in bids was better predicted by an increasingly busy construction market than the existence of the PLA.

To examine cost effects, we studied 108 school projects in New England. We found that such variables as the building's size, the need for a new boiler, the construction of an auditorium, the construction of library and where the school was located had positive effects on construction costs. There is no evidence that a PLA either raised or lowered the costs of the projects studied.

We argue that if PLAs are cost neutral, then other reasons for using or not using PLAs must be examined. Through interviews and case studies, we found that users favored PLAs to reduce some of the uncertainty inherent in large scale construction projects. Obviously, no one can control the weather, and material shortages are always a concern. But construction users felt a PLA would ensure a steady flow of highly qualified labor. The flow of labor was guaranteed by the nationwide referral systems maintained by unions; the steadiness of the flow was buttressed by no-strike agreements, which are a nearly universal item in PLAs. Construction users told us that PLAs were particularly attractive on large projects that needed to be completed on a tight schedule. PLAs can be used to harmonize hours and holidays across the trades and to modify shifts and work schedules to meet the needs of construction users.

Although we lack good data on safety outcomes, interview evidence suggests that safety inputs are greater on PLA projects. Often PLAs include language establishing labor/management committees that deal specifically with safety and health issues.

PLAs may also be crafted to achieve wider social ends, such as increasing minority employment and participation on projects by minority

business enterprises. As in a case study of the East Side Union High School district in San Jose, PLAs may also be used to create highly developed structures for training and recruiting young workers into the building trades, a critical need in light of the reported looming skills shortage in the industry.

A possible downside of PLAs is their effect on local labor relations. Some interviewees told us that power relations at the bargaining table may be skewed when too much work is covered by PLAs and their accompanying no-strike/no-lockout clauses. With workers protected from job actions, compromises in local bargaining may be harder to affect, leading to unusual settlements and protracted negotiations.

Another problem with PLAs is the general lack of contractor participation in bargaining. This sometimes leads to the needs of an industry not being addressed in an agreement. One complaint of local electrical industry representatives is that most PLAs do not allow them to use their longstanding, bipartite system of dispute resolution.

A possible solution to the problem, and one that is used in many areas, is to develop model PLA language through standing labor/management committees, which can be established as Taft-Hartley trusts and supported through per capita assessments on work. Typically, contractor organizations have high levels of participation on such committees.

Most interviewees agreed that PLAs are not suited to every project in every location. In considering whether to use a PLA, owners usually consider the importance of scheduling, the size of the project, the need for skilled labor, whether there are a sufficient number of union contractors in the major trades needed for the project to support competitive bidding and whether the work is likely to be done by union contractors with or without the PLA. In general, larger and more complex projects, for which scheduling is important, are good candidates for the use of a PLA.

## EXECUTIVE SUMMARY

PLAs are valuable tools for the construction industry because they can be used to create the conditions needed for a superior construction project. More than one hundred PLAs were reviewed for this study. The provisions of those agreements varied widely. The most sophisticated agreements had been crafted to address project specific issues such as local hiring, scheduling, work rules, employment of minorities, or the staffing of projects. We also found many bare bones PLAs that were little more than no strike/no lockout agreements. Based on our review of these agreements, and the findings of this research, we believe that there is great potential, much of it unrealized, for using PLAs to improve construction projects and promote union construction. Realizing this potential will require the education of contractors, construction users, and union officials on how PLAs can be crafted to promote the interests of all parties and provide better construction outcomes.