

A CONSTRUCTION MANAGEMENT TOOL

Almost every organization has a written business plan to make sure goals are achieved in a timely manner. Project labor agreements (PLAs) are much like business plans for construction projects. A PLA is a contract between the project manager, the various craft unions, and the contractors on the project. They have proven to be an effective way to manage and maintain time schedules and budgets by standardizing and stabilizing wages and benefits, starting times, overtime rules, holidays, and other related matters.

PLAs differ from standard collective bargaining agreements in that they include all the parties working on a specific project, not just a single union and contractor. A PLA takes precedence over all pre-existing collective bargaining agreements between contractors and unions. The PLA binds the involved parties only to the terms of a specific project.

They insure that all the workers on the job work under the same work rules, including the same dispute procedure, with the exception of wages and fringes. Thus, the owner and/or project manager is only dealing with a single set of rules for every worker, there are no work stoppages (even if a given trade is on strike against their own management group!), and if there is a dispute everybody knows exactly how it will be handled.

Since the 1930s, public and private entities have successfully employed PLAs to increase harmony and productivity on jobsites. Widely recognized projects that utilized PLAs include: Hoover Dam, Grand Coulee Dam, Shasta Dam, St. Lawrence Seaway, Disney World, Cape Canaveral, the Trans-Alaska Pipeline, and the Seattle Seahawks Stadium. Major businesses such as General Motors, Ford Motor Company, British Petroleum, Toyota, Humana, and United Parcel Service, have utilized PLAs for vital projects.

PLAs are used on both public and private construction. PLAs can provide a project with the stability and increased value needed to attract funding. Lenders look favorably on projects utilizing such agreements, since they greatly increase the likelihood that the project will be completed on-time and on-budget. Efforts to outlaw the public use of PLAs only undermine a federal agency's ability to exercise administrative discretion in choosing the best contracting methods and performance requirements for individual construction projects.

Non-union workers are not excluded from work on public PLAs and in fact, such discrimination would be illegal. Non-union workers may register with the union hall for a PLA project, and are referred for work through the union. They are not required to join the union to be referred for work, and do not need to pay union dues that fund collective bargaining representation. PLAs encourage fair competition among contractors by standardizing labor conditions.

PLAs can streamline negotiations for complex projects, reducing costs along the way. Long-term, complex projects often involve several local collective bargaining agreements. A consultant hired by the New York Thruway Authority determined the four-year refurbishment of the Tappan Zee Bridge in New York would

require 19 separate agreements among the trades and their workforce and have cost more than \$6 million extra if the project had been negotiated without a PLA. Also, the local agreements would have required renegotiation throughout the life of the project, allowing opportunities for potential future dispute. Because of the convenience of one long-term agreement through a PLA, it is a time- and money-saver for the owner or construction manager. The PLA can also cover several years of maintenance work after the project is completed.

Cost savings can also be achieved through labor-management safety programs incorporated into a PLA. For the Eastside Reservoir construction project in California, the state agency utilized a PLA that allowed them to consolidate more than 250 safety programs conducted by more than 250 subcontractors and 20 general contractors on the project. This resulted in a \$25-35 million savings in workers compensation premiums over the lifetime of the project, according to Kimberly Johnston-Dodds in her 2001 research report for the California Research Bureau. In addition, the Boston Harbor project's lost-time accident rate was one third lower than the Bureau of Labor Statistics national data for heavy construction – testified to by John T. Dunlop in *ABC v.s. Nevada Water Authority*.

In light of the ongoing U.S. shortage of skilled labor, PLAs ensure major projects will not be delayed by a shortage of qualified workers, not to mention labor disputes. Unions provide a majority of skilled labor in the construction industry through formalized training, which instills safety, specialized skills, and on-the-job experience. More than 70 percent of all apprentices are trained by joint labor-management programs, according to the Office of Apprenticeship Training in the U.S. Department of Labor. Thus, contractors signatory to unions, as exemplified by Mechanical Contractors Association members, employ workers with four years of classroom and on the job training. While union workers earn higher wages and benefits than their non-union counterparts, as a group they are better trained, with higher skill levels. Their enhanced skills translate to more efficient performance and less accidents.

In recent years, various interest groups have sparked PLA-related debates over competition and costs. Despite many legal battles, the validity of PLAs frequently has been upheld, far outweighing the number of cases that invalidated them, according to Pete Cockshaw's article, "The Intense Battle Over PLAs," which appeared in his newsletter, Cockshaw's Construction Labor News and Opinions. While some individuals and public officials believe PLAs increase costs, preliminary reports from a new study conducted by the University of Washington and commissioned by the Association of General Contractors does not show project labor agreements inflate costs. And cost comparisons of PLA projects versus non-PLA projects are difficult to make and are often invalid. To make such a cost comparison, it would be "virtually impossible to find two projects – one PLA and one non-PLA – that are sufficiently similar in size, cost and timing," wrote Cockshaw. Many PLA studies focused on single projects, not on several projects over time, which could potentially illustrate a trend.

Considering the flexibility of PLAs, assertions made by anti-PLA groups over competition are often inaccurate and inconsequential. In a 2001 report from the Associated Builders and Contractors, PLAs are referred to as "union-only project labor agreements." They contend that PLAs reduce competition by requiring only union workers on the job. Project labor agreements do not require union-only workers. The right to bid on federal projects is open to all contractors, whether they are union or non-union.

Federal procurement laws prohibit discrimination on federal construction, no matter how the project is managed. Non-union or open shop contractors are free to bid, and have won bids on project labor agreements. Furthermore, most PLAs contain provisions allowing contractors' use of their own employees. A study

conducted by the California Research Bureau on PLA use in California found that over half of the public PLAs contain these types of provisions.

In recent years, the flexibility of PLAs has become apparent as provisions concerning disgruntled parties were amended. The \$800 million Toyota truck plant in San Antonio, Tex., utilized a PLA with provisions for non-union firms to use their own workers, allowing a third party to evaluate their qualifications, instead of requiring them to obtain workers from union hiring halls. This innovative agreement guaranteed skilled, qualified workers and fair competition.

‘Social justice’ building provisions can be added to PLAs to provide a beneficial tool to communities seeking to increase local jobs and support local causes. The Port of Oakland PLA created the Small Business Utilization Program and a Local Hiring Program that trained and gave jobs to historically disadvantaged workers.

Bechtel Corporation, one of the largest contractors in the world, has used PLAs on more than 100 construction projects nationwide in the last 25 years. According to a chairwoman for the Metropolitan King County Council in Washington, Bechtel determined that the use of PLAs on three Sound Transit projects resulted in a net savings of \$15.7 million. She also wrote in her editorial to The Seattle Times on May 1, 2002, “...on project labor agreements, we think it is important we utilize what has been a very effective tool for being able to complete very important public projects on time, on budget, as promised.”

Kimberly Johnston-Dodds in her 2001 research report for the California Research Bureau, also expressed her support of PLAs: “Owners increasingly want PLAs in order to meet their speed-to-market demands and to ensure against delays that can be caused by worker shortages, work stoppages, or collective bargaining negotiations.”

A PLA is a management tool used to safeguard an owner’s investment of time and money. On large, complex construction projects where millions of dollars and hundreds of workers are involved, it is particularly important, since it works to contain costs and facilitate seamless project completion. PLAs provide owners the ultimate authority in planning, allowing for much greater flexibility and significant savings.