

Project Labor Agreements

***Advantages for Capital
Construction Projects***

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I. Introduction

The success of large construction projects, sometimes known as capital facility projects, depends on many factors, one of which is craft labor. Construction is a highly skilled, highly labor intensive industry that requires the reliable, systematic deployment of trained, skilled and often specialized craft personnel in a variety of trades. Moreover, looming skill shortages in the industry present critical challenges for virtually all capital facilities programs in the near future. Project Labor Agreements (PLAs) offer project owners an effective tool for addressing these issues.

II. Executive Summary

When owners of capital facilities plan new construction projects they essentially have two choices: on one hand, they can either take a "hands off" approach to craft labor issues and view them as the "contractor's problem"; or they can take a more pro-active, "hands-on" approach by requiring all contractors and subcontractors on site to follow an owner-required PLA, which sets forth uniform labor conditions and provides access to local trade union deployment systems.

Under the first approach, the owner *may* get an adequate, reliable supply of skilled, trained workers – but then again, it *may not*. If something goes wrong in these circumstances, such as inadequate staffing, schedule delays, defective quality, work stoppages, etc. -- the owner may have legal recourse against the lead contractor on the job, but any such recourse would occur *after* the fact. What's more, such recourse would not solve the problem of the needed facility not opening on time or not operating properly.

Under the PLA approach, as further discussed below, the project owner basically elects to exert its own form of "quality control" over the entire craft labor workforce, which gives the owner an effective tool for ensuring that its project will receive an adequate, reliable supply of skilled, trained workers. This is precisely why many corporate project owners, including notable Fortune 500 companies, elect to use PLAs for billions of dollars worth of construction each year. (See *Cockshaw's Construction Labor News + Opinion, Private PLAs Becoming Widespread, 9/05, Vol. 35, No. 8*).

This paper reviews the major economic advantages PLAs provide and also examines other benefits, such as apprenticeship training and other skill training opportunities, created by PLAs. These are key benefits for local communities that prove valuable for local residents and help build a skilled workforce for the future, which is a matter in the project owner's own long range interests.

II. PLA Basics: Effective Capital Facility Planning

Project Labor Agreements are single-site collective bargaining agreements between building trade unions and site contractors that govern terms and conditions of employment for all craft labor on the designated construction project. When used on large capital projects, PLAs are included in project specifications at the direction of the project owner generally for the purpose of promoting core project goals: schedule, quality, safety and cost-efficiency.

From a project owner's perspective, PLAs are used to provide:

- 1) access to reliable local supply sources for skilled construction craft labor;
- 2) predictable labor cost forecasts; and
- 3) no-strike/alternative dispute resolution provisions to prevent labor disputes and related project delays.

These advantages are part of the reason behind the substantial demand for these agreements by both public and private project owners, who collectively spend literally billions of dollars per year in PLA-construction.¹

III. Economic Benefits for Project Owners: Safe, Timely, Cost-Effective Delivery

Since the construction industry is, by definition, a highly skilled, highly labor-intensive industry, the skills, quality and reliability of the craft labor workforce used on a given project will have a direct and substantial impact on successful project delivery. Thus, the availability of good local labor can make or break a project.

By securing access to the best-trained, most highly skilled local workforce available, PLAs promote safe, timely, cost-effective execution of capital projects, resulting in innumerable economic benefits for project owners and other public or private parties responsible for or dependent upon such projects. Such benefits have been documented in several major studies aimed at evaluating the usefulness and economic benefits of PLA-construction.²

Significantly, certain industry trends impacting the U.S. construction industry indicate that the need for PLAs and the key advantages they provide will be at a premium in the near future. These trends, namely shifting workforce demographics and persistent, acute skill shortages, will increasingly compel project owners to take serious, pro-active measures to ensure reliable project staffing for important capital facilities programs.³

IV. Local Community Benefits: Local Jobs, Good Wages & Excellent Training

In addition to providing high value to project owners, PLAs offer many important benefits to local communities affected by capital projects, including local employment opportunities, critical health and pension benefits, good wages and the best skill training opportunities available in the industry.

¹See PLA White Paper: *Project Labor Agreements: Reliable Staffing Plans for Capital Facility Projects*, Gerard M. Waites, (2003) p. 11, citing PLA Project List, Building & Construction Trades Department, AFL-CIO (2002)(White Paper and PLA Excel List available upon request).

²See, Ralph Scharnau & Michael F. Sheehan, *Project Labor Agreements in Iowa: An Important Tool for Managing Complex Public Construction Projects*, The Iowa Policy Project (2004); Contra Costa County General Services Department, *Project Labor Report (May 2002-November 2003)* (2004); John T. Dunlop, *Project Labor Agreements*, Harvard University Joint Center for Housing Studies (2002); Daniel Rounds, *Project Labor Agreements: An Exploratory Study*, UCLA Institute for Labor and Employment (2001); Kimberly Johnston-Dodds, *Constructing California: A Review of Project Labor Agreements*, California Research Bureau Report No. 01-010 (2001).

³See *Confronting the Skilled Workforce Shortage*, Construction Users Roundtable (CURT), June 2004; *The Perfect Storm: Factors Come Together Creating a Storm in the Construction Workforce*, The Construction Executive, June 2004 pp. 21-25; See also *Craft Labor Supply Outlook: 2005-2015*, Construction Labor Research Council.

- A. Local Hiring:** PLAs are structured to require that all project contractors hire their craft labor through local union hiring halls or referral systems. As a result, workers hired on the project are local workers who are residents and taxpayers in the affected community.
- B. Good Wages:** By establishing good, livable wages for all site workers, PLAs ensure that local workers will receive a decent income, which, in turn, supports the local economy. Good wages also help attract the best qualified workers to the project and protect local residents from being unfairly undercut by companies hiring transient workers at substandard wages.
- C. High Skills Training:** Skill training programs operated by local Building Trades Unions provide the best training available in today's construction industry. These programs, which consist of registered apprenticeship programs for young workers and more advanced training for more experienced workers, provide meaningful, life-long career opportunities to participants.⁴
- D. Health Care & Pension Benefits:** Since PLAs incorporate local union collective bargaining agreements, they also ensure that workers on the project receive adequate health care and pension coverage. These benefits promote a better quality of life for local workers and protect local jurisdictions from having to subsidize such benefits for workers who do not receive them from their employers.

V. Investing in Workforce Development: Building a Skilled Workforce for the Future

As noted above, the construction industry nationwide is facing severe skill shortages (see fn.3 reports). This problem, which threatens to reach a crisis point in the near future, could undermine capital facilities planning and negatively impact projects relating to critical infrastructure, economic development and public works. PLAs can help address this problem because they encourage new and continued investment in the high skills training programs needed by the industry.

Since PLAs tie into the existing networks of registered apprenticeship programs, they allow the project owners to access qualified manpower for their immediate project needs, while at the same time, creating new training and workforce development opportunities. Thus, every project on which a PLA is used creates additional, new training opportunities for local workers and helps build the skilled workforce that will be needed by the local community for tomorrow.

VI. Conclusion

Collectively, all of the advantages summarized above, make a compelling case for using PLAs for any major capital construction project. Whether the owner is a public entity or private corporation, substantial economic and non-economic benefits can be achieved for the owner by incorporating PLAs into project planning.

⁴See www.BCTD.org. Collectively, the Building Trades Unions invest over \$500 million in top quality apprenticeship and journeyman training programs and maintain a nation-wide network of some 20,000 state-of-the-art training facilities throughout the U.S. and Canada. In addition, at least 75% of all apprentices participating in registered training programs are in Building Trades programs. As such, these programs are the primary source for the vast majority of bona fide training efforts in the industry.