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## EVALUATING PLA PERFORMANCE

### Studies find project labor agreements offer many benefits supporters claim

*By Peter A. Cockshaw, National Labor Analyst.*

One of construction's most contentious issues is the use of project labor agreements (PLAs) on public work.

Aside from the thorny legal issues (see related article on page four), PLA opponents and proponents level a constant drumbeat of charges and counter charges to influence public opinion.

The problem in assessing the validity of these pro and con arguments is the scarcity of reliable data on project labor agreements.

As the U.S. General Accounting Office (GAO) noted in a report on this subject, "there is no complete or comprehensive database on PLA use in the public or private sectors."

Moreover, the report added, assessing performance differences between PLA and non-PLA projects "is difficult, if not impossible to make."

This is because, GAO explains, "it is highly unlikely that two projects could be found that were sufficiently similar in size, cost and timing."

That being the case, two studies COCKSHAW's just obtained offer some help in evaluating PLA performance. One comes from the Institute for Labor and Management at UCLA and the other from the California Research Bureau.

The UCLA document authored by research associate Daniel Rounds is titled "Project Labor Agreements — An Exploratory Study" and was finalized last month.

Described as a "pilot study," the 15-page paper examines the experiences of project managers who worked on three California utility projects built under a PLA.

Two involved the erection of *private* sector power plants, the 320 megawatt cogeneration Sunrise Power Plant and the 533 megawatt combined cycle Sutter Power Plant.

The third is the \$2 billion Eastside Reservoir public works project by the Metropolitan Water District (MWD) of Southern California.

### **Major claims of PLA opponents were 'roundly rejected'**

To assess the claims of PLA proponents and opponents, project managers on these three projects were interviewed about their experiences working under such agreements.

Although the UCLA study examined a number of PLA issues, it focused sharply on ones that are the most contentious. Researcher Rounds explains:

"The three main claims of opponents are that PLAs exclude, or discriminate against, non-union contractors, reduce competition and increase labor costs.

"These arguments were roundly rejected by officials we interviewed."

They included Larry Gallagher owner representative for MWD's Eastside Reservoir project.

Gallagher countered the claim that PLAs exclude non-union contractors and reduce competition. He advised UCLA researchers that "non-signatories constituted two-thirds of the contractors working on the project."

The study's other interviews found that "there is no evidence to support the claim that PLAs illegally discriminated against — or excluded — non-union workers from participating in construction efforts."

MWD's owner representative Gallagher also addressed the issue of whether or not PLAs increase project labor costs.

According to the report, he stated that "in the end labor costs are about the same."

An interview with Jack Richey of ARB Construction, construction manager of the Sunrise Power Plant, echoed Gallagher's comments about PLAs and specifically the impact of skilled union

craftsmen.

The study quotes Richey as "attributing the early project completion to the PLA" and stating that "the skills and training of a typical union worker are superior to the skills and training of non-union workers."

The UCLA study concluded that "information provided (by contractors and owners interviewed) tends to support the arguments advanced by PLA proponents.

"Agreements on each of the three projects facilitated labor peace, fostered workplace cooperation and insured an adequate supply of skilled manpower.

"On the other hand, arguments offered by PLA opponents were not well supported by the interviews we conducted."

### **Study reveals that bulk of PLAs in California are private projects**

The second study was a 94-page report released last month by the California Research Bureau which provides research to the Governor and state legislators.

Titled "Constructing California: A Review of Project Labor Agreements," the study conducted extensive interviews and research in connection with 82 public and private PLAs built between 1984 and 2001.

The report also recounts the history of PLAs in California, surveys the features of both public and private projects and includes case studies of recent PLAs that, in the researchers' opinions are "breaking new ground."

What follows are a few key highlights of the 94-page report.

One interesting finding of the research was that private-built facilities in the state are much more likely to use PLAs than public projects.

Of the 82 project labor agreements analyzed in the report, nearly three-quarters (72%) were private sector agreements.

In addition, 22 out of 23 private cogeneration electricity plants recently built, or now under construction, used PLAs.

Interviews the California Research Bureau conducted attribute the widespread use of *private* PLAs to what it terms "owner preference."

The report found that "private project owners specifically request that contractors use PLAs for economic reasons, labor stability and cost and scheduling considerations.

"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 and other problems.

"Contractors that use them maintain that on complex, long-term projects, PLAs foster positive communications channels to address worker concerns, grievances or disputes and resolve them quickly.

"This creates continuity and stability of the work force at the job site."

The report also quotes Ken Hedman, Bechtel Construction Company's vice president of labor relations who counters critics of PLAs who claim such agreements are more costly and often hinder on-time job completion.

The veteran industry official flatly stated that in his experience he has "never seen anything to indicate that a PLA was the cause of higher costs or delays." He added:

"The fact is that projects are delayed due to changes in scope of work, increased number of change orders, engineering or design changes.

"It is such changes that cause an increase in labor costs — not the other way around."

The paper also addresses one of many

problems open shop employers have with *public* PLAs — mandated payments of union benefit contributions called for in most agreements.

Many times this requirement forces non-union firms to pay twice, assuming that a company has its own health and pension plan program.

The report's authors note this "double payment" concern and — at least in the health benefit area — that some contractors and public agencies are acknowledging this problem.

Some, like the Port of Oakland, CA are taking measures to address it, the paper's researchers found.

Pensions raise other concerns. Even if an employer does not offer such coverage, most non-union employees will not qualify for benefits paid under

the PLA because of time-based vesting and eligibility requirements.

But because such problems — and many others — may make PLAs a

bad deal for open shop employers doesn't necessarily make them a bad deal for users of construction.

Judging by the plethora of *private* PLAs in California and opinions expressed in the two studies noted in this article, many owners find them an attractive way to do business. ☒

*For more details on "Project Labor Agreements" by D. Rounds (15 pps), contact Institute for Labor and Employment, UCLA, P.O. Box 951478, Los Angeles, CA 90095-1478.*

*For the 94-page "Constructing California: A Review of PLAs" by K. Johnson-Dodds (CRB 01-010), contact California Research Bureau, 900 N. St., Suite 300, P.O. Box 942837, Sacramento, CA 94237-0001.*

**"Private project owners specifically request that contractors use PLAs for economic reasons, labor stability and cost and scheduling considerations."**

"Constructing California: A Review of PLAs"  
California Research Bureau, Sacramento, CA

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