AGREEMENTS

PLAs: Promoting quality, safety, timely delivery and cost-efficiency.
Esteemed Reader,

It is with great joy and pleasure that I welcome you to the Project Labor Agreements (PLAs) White Paper for the Laborers’ International Union of North America (LiUNA!) Mid-Atlantic Region. As you are aware, LiUNA! is the premier union in the building trades: progressive, aggressive and fast growing. We work in Pennsylvania, Maryland, Virginia, West Virginia, North Carolina and the District of Columbia.

PLAs create family-sustaining jobs that offer health care, training and retirement benefits at no additional expense to the owner or the taxpayers. When used on large capital projects, PLAs promote quality, safety, timely delivery and cost-efficiency.

It is my hope that collectively, through the use of PLAs, we will begin to think of new, creative, and realistic ways to make the local construction worksite better. By working together we can achieve a more secure work environment for working families.

I believe, that while reading this document, you will have a positive experience and will gain a greater understanding of Project Labor Agreements (PLAs) and their impact on the local economy.

In Solidarity,

Dennis L. Martire

Dennis L. Martire
Vice President & Regional Manager
# Table of Contents

What is a PLA? 3  
PLAs Are Good Public Policy 3  
Benefits of PLAs? 4  
What’s Good about PLAs 5  
The Value of PLAs 6  
Do PLAs Actually Work? 7  
Are PLAs Legal? 7  
Why Are PLAs Controversial? 8  
Debunking Anti-PLA Myths 9  
Horror Stories About Failed PLAs 11  
PLA Success Stories (DC Metro Area) 12  
Conclusion 13  
PLAs At A Glance 14  
Endnotes & Sources 15
What is a PLA?

A project labor agreement (“PLA”) is a collective bargaining agreement that applies to an individual construction project and usually is applicable to every contractor and all craft labor working on the project. It usually is negotiated by either an owner or a general or prime contractor with all, or nearly all, craft construction unions in the local jurisdiction. When used on large capital projects, PLAs are included in project specifications at the direction of the project owner for the purpose of promoting core project goals: quality, safety, timely delivery and cost-efficiency.

PLAs Are Good Public Policy

If you needed surgery to correct a life-threatening condition, would you choose the lowest paid surgeon you could find? If you needed an attorney to defend yourself against serious criminal charges or to arrange an important financial transaction, would the lowest paid attorney in town be the one you would choose?

Of course not.

In the real world, people understand that price is not the only, or even the most important, consideration when it comes to choosing a service provider. Quality also must be considered. And when you combine considerations of both price and quality, hopefully you end up making decisions that maximize value—that is, getting the most quality for your dollar.

When it comes to construction, however, there often are barriers that prevent the selection of a construction contractor on the basis of the quality of its service and the skill of its workforce. Instead, the norm—especially in the public sector—is to select contractors based on who submits the lowest bid, which often means selecting the lowest-paid construction workers in the industry. As you might expect, this often does not lead to choosing the highest skilled work force.

PLAs provide an alternative to this dynamic. By ensuring that workers on a construction project are highly-trained and experienced unionized workers, a PLA ensures the quality of the work force will not be compromised by the selection of the lowest bidder. Instead, PLAs ensure that low contract prices are driven primarily by high productivity. And PLAs provide other benefits as well. These additional benefits include project work-rule harmonization, local workforce development, local hiring, increased public safety, family-supporting wages, and good employee benefits.
Benefits of PLAs

Economic Benefits for Project Owners: Safe, Timely, Cost-Effective Delivery
- Vital project planning tool to predict costs/manage schedule for overall successful execution
- Manage and maintain time schedules and budgets by standardizing wages and work rules
- Coordination of highly-specialized craft labor workforce for streamlined construction
- Maximize efficiency, minimize risks, reduce costs, and ensure timely project delivery
- PLAs were used in $50 billion of private and public projects in 2010 alone
- Widespread use by top private companies: e.g., Toyota, Boeing, W.R. Grace, Inland Steel, and Arco
- Major cost-savings through use of various labor-management programs (e.g., scheduling, safety)
- Establishes a single procedure for handling work disputes even amongst various crafts
- Prohibits work stoppages, strikes, or any other work actions by the covered workforce

Workforce Development: Providing a Skilled Workforce for Today & Tomorrow
- Gives contractors continuous access to most reliable supply of highest-skilled craft labor
- Expands capacity of local union hiring hall/referral systems to recruit more workers for training
- Reduces lost-time accident rates and worker compensation costs through safety training
- Immune from the costly risks of both an aging workforce and acute skill shortages
- Allows project owners and contractors to take advantage of highly-trained and more productive craft labor supported by $600 million of annual investments in state-of-the-art training programs
- Helps meet industry’s critical demand for skill training and future workforce development for new projects while offsetting looming supply problems and costly labor shortages

Community Benefits: Local Jobs, Fair Wages, Excellent Training, Good Careers
- Ensures hiring and training of workers who spend their wages in local community
- Greater opportunities for minorities and females to gain the skills to succeed in their craft
- Offers advanced training for more experienced workers to offer meaningful, life-long careers
- Apprenticeship programs address local-based needs by providing special community outreach programs to ensure effective recruiting, training and employment of workers most in need
- Adequate health care and pension coverage for improved long-term health and well-being

PLAs meet industry standards
What’s Good about PLAs?

Value for the Owner – Union Labor Is Better Trained and More Productive

Why is union labor more productive? The answer lies with the incentive structure of the union model. Because labor is the only “product” that a union provides, unions have greater incentives to ensure that the unionized labor force is the most skilled and productive on the market. Union members strive to be more productive in order to justify the higher wages and benefits that they negotiate for themselves.

By contrast, most private companies cannot be sure to retain those workers after they have invested the costs of training, and as a result prefer to avoid training workers. Instead, most employers will find it more profitable to hire away workers who were trained by other employers and reap the benefits of that training. This free rider dynamic erodes the incentive for any employer to invest in training at all. For these and other reasons, the non-union sector fails to adequately invest in skill training or produce sufficient numbers of properly-trained workers. Most nonunion workers receive training that is ad-hoc rather than formal. Indeed, studies have shown that the non-union construction sector has also been unable maintain an effective system of craft training that ensures open shop workers uniformly meet requisite, minimum skill standards.¹

In contrast, union construction apprenticeship programs regularly invest over $600 million in state-of-the-art training programs every single year. This investment allows unions to maintain programs that achieve a superior quality of training and cover the wide range of essential crafts needed for large capital facility projects. PLAs give project owners access into both the local and national union referral systems that have a greater capacity to recruit, train and deploy the next generation of skilled construction craft personnel.

Value for the Owner – A Management Tool for Complex Projects

PLAs have other merits as well. From a project owner’s perspective, PLAs are used to provide:

- Access to reliable local supply sources for highly trained, highly skilled construction craft labor;
- No-strike/alternative dispute resolution provisions to prevent labor disputes and related project delays; and
- Significant cost reductions through minimized risks of disruption and delay, a higher-quality work product, and uniform rules that translate into lower administrative costs.²
- Avoid accidents, damage to Property or Death

PLAs are Good Value for Owners
The Value of PLAs

On a complex project that lacks a PLA, every contractor has separate scheduling practices, separate work rules, and varying compensation programs. The lack of uniformity can lead to unpredictable results when a project requires significant amounts of overtime, unconventional work schedules, and coordination between work crews who work for different companies. PLAs avoid these problems by establishing uniform work rules that the entire workforce on the project must follow.

Value for the Owner — Labor Peace

PLAs guarantee labor peace by binding local unions and the workforce to agreements not to strike or engage in any work stoppage or protests. On complex projects, where every delay can have compounding consequences in terms of cost overruns and other problems, a guaranty of steady and reliable labor is extremely valuable.

Value for the Community — Workforce Development and Local Hiring

PLAs can be an important tool in workforce development and local hiring, particularly in the public sector. The United States Constitution bars states and localities from discriminating against residents from other states, and this rule often bars them from formally pursuing the goal of hiring local residents on publicly funded work. PLAs offer a way to promote local hiring without violating the Constitution.

The State or local government can require a PLA, and then the local unions do what the government cannot — send their members, who usually are local residents, to fill all the job openings on the project.

Access to reliable sources of highly-skilled craft labor is also increasingly important as the workforce ages. The aging of the population and consequent reduction in skilled craft labor obviously will impact project cost and quality. This trend requires project owners to take serious and more proactive measures to ensure reliable project staffing for complex construction projects. PLAs can assist these efforts and play a useful, even decisive, role in future workforce development.

In addition, as explained above, construction unions are all involved in extensive training operations to ensure that their members are the most productive workers on the market. A union’s training program gives it the ability to develop new members of the workforce. PLAs, in turn, permit local governments to tap into this resource to engage in workforce development in specific local communities. The resource can be especially valuable when applied to high unemployment communities, prisoner re-entry programs, or at-risk youth in public schools through high school pre-apprenticeships as an alternative to college.
Do PLAs Actually Work?

It was recently documented that private sector project owners used PLAs to deliver several hundred billion dollars of capital facilities construction projects throughout the U.S. in a variety of industries and market sectors. Indeed, leading Fortune 100 and 500 companies, including Toyota, General Motors, Wal-Mart, Bank of America, CVS, Target, Sunoco and Disney, have relied on PLAs to ensure the successful performance of large capital construction projects. Successful tools prove themselves.

Significantly, use of PLAs in the private sector, driven primarily by cost-efficiencies, has long outpaced the public sector. But public sector use has markedly increased in recent years, as the successes of private corporations in this area have come to light. Thus, government officials and agencies increasingly use PLAs because they produce timely, cost-effective project delivery that protects capital investments. Consistent with these developments, President Barack Obama issued Executive Order 13502 to promote PLA-construction in the federal sector. As a result of this initiative, the federal government has greater access to the same proven project management tool used by numerous corporations and state and local governments. This is an important and necessary step toward further realizing a federal procurement system that secures for taxpayers the best value in major government acquisitions. In addition to actual experience, several major academic studies have shown that 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 these projects. These studies demonstrate that PLAs help to maximize efficiency, minimize risks, reduce costs and ensure timely project delivery.

Are PLAs Legal?

Federal and state courts have widely upheld the use of PLAs on public works projects. Further, it is significant that the seminal court rulings in this area, including the leading case of Boston Harbor, decided 9 to 0 by a highly conservative Court, have stressed that the key focus for this issue must essentially rest on what is best for the contracting agency, regardless of the impact on the union sector or the open shop.

Thus, the courts have said what is crucial is not what is good for contractors or unions or even workers, but what is best for the government body procuring the construction. Ultimately the focus must be on what is best for the taxpayers. Because they provide substantial benefits to the project delivery process, PLAs are routinely justified under this standard and widely used in various public building programs for tens of billions of dollars worth of construction each year. There is even greater use in the private sector, where corporate owners make similar decisions based on maximum value.
Why Are PLAs Controversial?

PLAs are controversial due to the stubborn pockets of America’s business and political culture that remain inflexibly opposed to unions. Nearly all of the arguments against PLAs are traceable to a single trade association, the Associated Builders and Contractors (“ABC”), that was formed with the sole purpose of eradicating unions from the construction industry.

In addition to its massive lobbying program, the ABC prosecutes a significant communications campaign against PLAs. The leading platform of the anti-PLA campaign is a website with the ironic title, “TheTruthAboutPLAs.com,” whose sole purpose is to misrepresent the record of PLAs and to disseminate anti-union vitriol.

What the ABC does not want people to know, however, is that the only real reason to oppose PLAs is anti-union animus. Although the ABC relies upon so-called “studies” to support its case against PLAs, all of the ABC’s studies come from a single bought-and-paid-for source — the Beacon Hill Institute — a conservative propaganda factory that is funded by the very businesses who hold economic interests in the topics on which the Institute opines.

Contrast this biased “authority” with the more respectable authorities that confirm the benefits of PLAs.\(^{11}\) The authorities that demonstrate the benefits of PLAs are independent and often associated with some of the nation’s most prestigious universities, such as Cornell University and the University of California Los Angeles. Suffice it to say, the more credible authorities are the ones that are not paid for. Those authorities establish that PLAs and unionized labor provide benefits that are significantly greater than their costs, and that makes them an overall value to owners who use them.

For those who are not ideologically biased against labor unions, PLAs are simply useful policy tools for ensuring the timely, on-budget delivery of capital projects in a way that allows these projects to promote prosperity broadly throughout the local community.

By setting competitive wage and benefit rates, PLAs help ensure that contractors will be able to recruit skilled, safe, productive workers for the project without having to pay more than anticipated. The community is better served by jobs that provide family-supporting wages. PLAs encourage the recruitment and training of local workers. That results in higher quality work and also saves taxpayers money in the form of reduced costs for public health care and caring for pension-less retirees.
Debunking Anti-PLA Myths

Opponents of PLAs primarily have relied on untruths and distortion to argue against PLAs. Below are several common myths about PLAs.

**PLAs Discriminate Against Non-Union Contractors – False**

Courts have uniformly found that PLAs do not discriminate against non-union contractors. Even on projects where a PLA is required, union affiliation is not a requirement of winning the contract. The contractor simply has to enter into and abide by the PLA while performing that project.

**PLAs Discriminate against Non-Union Workers – False**

While PLAs often require contractors to hire workers through a referral from a union-run hiring hall, federal law requires union hiring halls to be open on a non-discriminatory basis to both union and non-union members. Furthermore, even in union-security states, unions cannot compel employees to join a union; unions only can require the payment of agency fees to pay for the costs of representing employees.

**PLAs Violate Right-to-Work Laws – False**

The use of PLAs does not conflict with so-called “Right-to-Work” laws. Court decisions that have addressed the effect of right-to-work laws on PLAs have determined that PLAs do not violate right-to-work laws so long as the PLAs do not condition employment upon union membership or the payment of union dues.

**PLAs increase project costs - False**

Studies by UCLA, Cornell and other leading academic institutions have concluded that there is simply no evidence to back up this conclusion, and that the studies on which the critics rely routinely fail to take into account other factors that influence a project’s costs. In fact, most PLA users speak to the economic benefits that come from having access to an uninterrupted supply of qualified workers, being able accurately to predict labor costs, utilizing expeditious mechanisms for resolving disputes, and creating labor-management cooperation committees to promote safe work practices on the job.

As just one example, Toyota, which has built every one of its North American manufacturing facilities under a PLA, reports that its per foot construction costs are one-third less than those of its competitors, who eschew these agreements.
Debunking Anti-PLA Myths

PLAs Require Contractors to Pay Double Benefits – False
This is one of the stranger arguments that opponents put forward. They argue that non-union contractors who sponsor their own employee benefits plans will be forced to provide employee benefits through their own plans and also through union-sponsored plans. This outcome is exceedingly unlikely, however. In the first place, most PLAs require contractors to hire from union hiring halls. Due to this requirement, it is unlikely that an employee who was previously enrolled in the non-union contractor’s plan would be deployed to the project through the PLA. Instead, the contractor is more likely to receive referrals of employees who already participate in the union-sponsored plans, not the contractor’s self-sponsored plan. These employees are unlikely to choose to be enrolled in the employer-sponsored plan because that coverage will be redundant, yet the employee will be required to pay full monthly premiums in order to obtain that coverage. The benefits of double coverage to the employee are marginal and usually will not be worth the cost. Furthermore, the employee who relies upon referrals from the union’s hiring hall will prefer to concentrate his or her pension benefits in the union-sponsored plan, since the employee is unlikely to work for the non-union contractor again in his career. For all of these reasons, the contractors probably never pay double benefits under a PLA because it is not in the employee’s, the contractor’s or the union’s interest to cause this to occur.

PLAs Subject Non-Union Contractors to Withdrawal Liability Penalties – False
Withdrawal liability is an assessment that is imposed when employers, who formerly paid into defined-benefit pension funds, choose to exit from the plan and cease to make contributions in the future. The assessment applies only when the pensions for the employer’s employees have not been fully paid for. The purpose of the assessment is to require the exiting employer to pay for its proportionate share of the underfunding of its employees’ pensions.

A non-union contractor will not incur withdrawal liability simply by performing on a PLA for one simple reason -- a contractor working on a PLA cannot meet the statutory definition of a withdrawal under federal law. In the construction industry, a withdrawal occurs only where the employer ceases to contribute to the pension plans and then continues to “perform work in the jurisdiction of the collective bargaining agreement of the type for which contributions were previously required.” In the context of a PLA, the jurisdiction of the agreement is limited to the single project. Because, by definition, an employee cannot continue working within the jurisdiction of the PLA, i.e., the project, without contributing to required pension plans, a withdrawal is not possible. Working on a PLA, therefore, cannot cause a contractor to incur withdrawal liability.

Through PLAs, projects are on time and on budget.
What about the Horror Stories About Failed PLAs?

Opponents of PLAs usually trot out a few carefully-chosen horror stories to try to scare the public away from PLAs. With so many PLA projects in the United States, it certainly would not be surprising if opponents of PLAs could find a few examples of problematic projects.

After all, nothing works perfectly all of the time. This is why it is surprising, and quite telling, that the examples that PLA opponents use actually are gross distortions.

The PLA’s Role in the Big Dig “Horror Story” is a Big Lie.
The most common “horror story” the PLA opponents cite is the Big Dig in Boston. Opponents of PLAs like to point out that the Big Dig originally was estimated to cost $2.3 billion, but ended up costing over $22 billion. What they do not tell you is that the Big Dig was a twenty-plus-year project, the $2.3 billion estimate was produced in 1982, while the $22 billion total will not accrue until 2038 and includes the cost of interest on the financing bonds, and none of these numbers are adjusted for inflation.

Moreover, while there were serious cost overruns on this project, these cost overruns and delays had nothing to do with the PLA or the labor force.

To the contrary, a year-long investigation by the Boston Globe concluded that vast majority of the additional costs and delays were due to gross engineering oversights. Those who use the Big Dig to malign PLAs are engaging in a particularly slimy version of guilt by association.

Wilson Bridge Speculations
Opponents of PLAs also cite Maryland’s experience with the Wilson Bridge and speculate that a proposed PLA led to the receipt of only a single bid that was 70% over-budget. Speculation aside, the independent committee appointed by the federal and state officials to investigate the matter actually concluded that the receipt of the single, over-budget bid in fact was caused by factors unrelated to the PLA.

This conclusion makes even more sense when you remember that there have been thousands of projects with PLAs around the country that are put out to bid and enjoy robust, competitive bidding. The Wilson Bridge was an unusual case where other factors were at work.
PLA Success Stories in the DC Metro Area

PLA success stories can be found throughout the country. These success stories involve on-time, on-budget projects. But they also involve significant collateral benefits. For instance, in Los Angeles, the Department of Public Works has implemented a PLA program that involves nearly $1 billion in projects that led to a major increase in the hiring of local workers on these projects.

PLAs also have a solid record in the DC Metropolitan Area. Below are just a few of the success stories.

**Nationals Park, Washington DC**
The home field for the Washington Nationals was constructed under a PLA and was a massive success. Dubbed “DC’s fastball,” the stadium was completed in a record time of less than two years. In addition, the PLA imposed some of the strictest local hiring targets ever attempted on a project of this size in DC, and succeeded in hiring unprecedented numbers of local residents.

DC residents comprised over 50% of new hires and performed more than 85% of apprenticeship hours and 34% of all man-hours worked. As a project that was on-time, on-budget, and provided significant collateral benefits to the hometown, Nationals Park is emblematic of the benefits of PLAs.

**I-495 HOT Lanes, Northern Virginia**
The construction of the HOT Lanes, a public-private partnership to create express toll lanes on I-95 and I-495 in Northern Virginia, is one of the lesser known PLA success stories. While this project will not be completed until the end of 2012, it has been on-time and on-budget throughout. It also has a superb safety record, with no reported fatalities.

This record of success provides a stark contrast with the infamous Springfield Interchange Project, where three workers were killed during construction. The Springfield project was built in Northern Virginia during the same time period, but without a PLA.

PLAs guarantee safety on the jobsite.
PLA Success Stories in the DC Metro Area

Dulles Corridor Metrorail Extension (The Silver Line), Phase 1
Phase 1 of the Dulles Corridor Metrorail Project (DCMP) is another example of a PLA contributing to an on-time, on-budget project with an excellent safety record. Although the project will not be completed until 2013, in 2011 the general contractor on the project, Dulles Transit Partners (DTP), provided the following assessment of the PLA’s positive impact on the project:

“The conditions included in the DTP project labor agreement have provided for significant labor efficiencies and reduced the labor risks. This has benefited MWAA[, the owner] and the taxpayers by enabling DTP to provide the lowest price to perform Phase 1 of the DCMP.”

In addition to the benefits to the owner and to taxpayers that DTP identifies, hundreds of workers working in Northern Virginia enjoyed family-sustaining wages, health care, and pension benefits as result of the PLA. As a project that commenced in the depths of the worst economic recession since the Great Depression, this project was a rare piece of good news during an otherwise relentlessly grim period in the nation’s history.

Conclusion
As a tool for planning and performing large capital construction projects, PLAs have long been used by project owners in both the private and public sector in virtually all industries and market sectors. In that long history of use, PLAs have helped ensure successful project delivery of several hundred billion dollars of construction.

PLAs also have provided the benefits of good wages, local hiring, and workforce development for local communities and the construction industry. As evidence of these benefits grows, reliance on this tool will continue to expand. Good tools prove themselves, and PLAs continue to prove their value everyday.

PLAs guarantee Minority, and WMB Participation!
Project Labor Agreements (PLAs) are simply pacts that spell out wages and benefits contractors must pay based on current community standards, preventing an influx of public investment from driving down community standards. The purpose of a PLA is to facilitate the smooth completion of a project by allowing stakeholders to agree to ground rules and synchronize expectations before the project starts.

Typically under PLAs, living wages are paid, benefits are better, work site conditions are safer, workforce is more highly skilled, and work is more efficiently coordinated. PLAs also encourage attracting and training local workers. This results in higher quality projects and also saves taxpayers money in the form of reduced costs for public health care and caring for pension-less retirees.

PLAs usually work to eliminate all work stoppages through a project-long no-strike, no lockout commitment, with binding procedures to resolve all disputes.

**MYTHS**
- Project Labor Agreements Limit Competition
- Project Labor Agreements Increase Cost
- Project Labor Agreements Discriminate Against Non-Union Contractors

**FACTS**
- PLAs Are Open To All Contractors
- PLAs have a strong record for on-budget performance
- Non-Union Contractors Have Successfully Bid Projects With Project Labor Agreements

**THE PROJECT LABOR AGREEMENT GUARANTEE**
- PLAs Guarantee Local Workers On Local Projects
- PLAs Guarantee Workers Are Properly Trained
- PLAs Enable Projects to be Done On Time And On Budget
- PLAs Guarantee Minority And WMB Participation
- PLAs Guarantee Health Care Benefits
- PLAs Provide Value for Taxpayers
Endnotes & Sources


iv See Wates and Seedorf, supra note 1.


viii See Id.
Endnotes & Sources


http://www.thetruthaboutplas.com/about-us/


See 29 U.S.C. § 1383(b)(2)(B); N. New England Carpenters Pension Plan & Trust v. H.P. Cumming Construction Co., Case No. 02-180-P-H, 2003 WL 1856440, 30 E.B.C. 1654, (D. Me. Apr. 10, 2003) (finding that an employer did not experience a withdrawal in states where it only performed under PLAs, even though the employer no longer was contributing to the pension plan).


