

Why Project Labor Agreements & Apprenticeship Requirements are Bad Policy



What is a union-only Project Labor Agreement (PLA)?

A project labor agreement is a contract negotiated between a construction owner, or its designated general contractor or construction manager, and a group of labor unions, usually the local building trades council, which requires the project be awarded only to contractors who agree to:

- recognize the unions as the representatives of all employees on the job;
- use the union hiring hall to obtain all or almost all of the workers;
- require all workers on the job to pay union representation fees, dues and/or assessments;
- pay into union benefit trusts even if the contractor has other benefit plans in place and the employee will not receive benefits from those union trusts; and
- obey the union's restrictive work rules, job classifications and arbitration procedures.

Why are apprenticeship requirements like PLAs?

ABC is a strong proponent of apprenticeship training, but restrictive apprenticeship requirements are little more than politically correct back-door PLAs because they, too, limit the number of bidders on a job and discriminate against the majority of contractors and employers.

Associated Builders & Contractors of Western Washington

399 114th Avenue NE, Bellevue, WA 98004
425/646-8000, 800/640-7789, Fax 425/455-5701

abcww@abcwestwa.org

Project Labor Agreements (PLA) don't do what the unions promise.

The nearly 400 members of Associated Builders & Contractors of Western Washington (ABC), and the more than 20,000 workers that they employ, oppose union-only project labor agreements for public construction projects. ABC is a construction association whose members are both union and open-shop employers. We are united in our belief that open competition in an unrestricted marketplace produces the best construction projects for the owners and for the community.

We strongly believe that PLAs are bad policy. They benefit less than a quarter of Washington's construction workers – those who choose to be union members - and they tend to increase the cost of construction. PLAs do not increase safety or quality and do not insure that there will be no labor strife. We believe that union-only policy is not in the best interest of private owners, and is particularly imprudent in public projects impacting taxpayers.

Here are the basic reasons that we ask you to oppose PLAs, too:

■ PLAs restrain bidding, increasing the construction cost of the project.

When the only contractors to bid are those with union contracts or open-shop contractors willing to take the risk of signing a PLA, the number of bidders decreases, causing costs to become artificially high. A 1996 study by Dr. Herbert Northrup, Wharton School of Business, a noted expert in this field, found that construction costs under a PLA could increase by 18 percent. His findings are consistent with actual projects that have been constructed under PLAs. A more recent study, published in 2003 by the Beacon Hill Institute for Public Policy at Suffolk University, shows that PLAs increased costs of school construction by \$37.88 per square foot (a 22.1% increase), which adds up to between \$5 and \$6.6 million per school (in 2001 dollars). This increase in cost is an unnecessary burden on a project -- and on the taxpayers who pay for it.

Another reason that PLAs may increase costs is that they require negotiations between the owner and the labor unions directly, usually without involvement of local contractors. The result can be at odds with the contract already agreed to between the area's union contractors and unions, thus creating confusion, and possibly adding costly requirements in fringe benefits, work rules and the like. Public owners are not usually experienced labor contract negotiators so their contracts with labor unions may not result in the best, most cost-effective contracts.

■ A PLA limits opportunities for open-shop contractors, for women and minority-owned businesses, and women and minority workers.

A City of Seattle Auditor's Office report stated that 75 percent of the construction workers in Washington are not members of a labor union; they are open shop. These workers would be denied the opportunity to be employed on a job their taxes support—unless they agree to pay “representation” fees to the unions. Open-shop contractors who bid on projects covered by PLAs incur higher labor costs because they have to pay into their own employee benefit plans, plus make contributions to the union benefit trusts. (*Their workers will never receive benefits from the union trusts because they will not vest.*) The open shop firms also must agree to be bound by restrictive and outmoded work rules.

A majority of women and minority-owned businesses are not signatory to a union agreement and would thus be effectively barred from this work. While there are no specific statistics for the number

of women and minority workers who are open shop, it is generally held that the majority of them are open shop.

While the unions have done a better job in recent years of recruiting women and minorities into their apprenticeship programs, traditionally women and minorities have not been members of a construction labor union.

Minority firms have already felt the impact of Initiative 200 on their work. They do not need another obstacle to their ability to grow their companies.

■ All workers must have equal chances to work.

A few years ago when construction was very busy, the unions couldn't supply enough workers to their signatory contractors. Open-shop employers couldn't find enough skilled workers either. The change in the economy has altered both situations. Now unemployment among construction workers is relatively high. Both open shop and union workers should have equal access to the construction jobs that are available.

■ Open shops produce safe, quality projects.

The unions would have you believe that union workers produce a higher quality project. Consider that 75-80 percent of construction in the country is done open shop -- from single-family homes to large complex industrial projects. Owners wouldn't entrust this much construction to open-shop firms if they weren't producing quality projects. The Business Roundtable, a group of the largest construction owners in the country, issued a study in which owners reported finding no difference in quality between union and open shop. Statistics do not show that union contractors are safer than open shop; both want to protect the health and safety of their workers.

■ There are ways to avert strikes and slowdowns -- without the other restrictions in a PLA.

We know that owners are very concerned about completing their projects on time and within budgets. Certainly any work stoppage or slowdown is detrimental. Organized labor claims that signing a project labor agreement will assure that there will be no interruptions due to labor disputes. However, it is organized labor that would be responsible for any labor disputes or stoppages. Open-shop contractors and their employees do not strike or slow down work. The Denver Airport project owners were concerned about timely completion so their solution was to ask all contractors on the job to sign a no-strike or slowdown clause in a work stabilization contract. The contract had no union representation requirement and there were no work stoppages on a job that included both union and open-shop workers.



Apprenticeship requirements are restrictive, too.

ABC supports apprenticeship but opposes apprenticeship requirements

The unions also pressure public owners to adopt a requirement to use a certain percentage of state-approved apprentices on their projects. While promoting apprenticeship is a good policy, the real reason for an apprenticeship requirement is to restrict competition. This requirement decreases the ability of open-shop contractors to bid competitively on a project. There are only a handful of open-shop state-approved apprenticeship programs that could serve open-shop contractors on public projects. The labor unions, until very recently, controlled the state approval process through their domination of the Washington State Apprenticeship & Training Council. For years this labor-controlled council had promulgated rules that discriminated against open-shop training programs. The U.S. Department of Labor (DOL) performed a compliance audit and, finding the state out of compliance with federal law, recommended changes required for continued federal recognition of the state apprenticeship council. While the state has amended its apprenticeship laws, DOL still has enough concerns about how the new laws are being implemented that they have not yet found Washington to be in compliance. The unions continue to use every means to oppose the approval of open-shop programs, filing seemingly endless appeals once the council has approved open-shop programs. Because of the length and cost of the legal battles to gain approval, there are far fewer open-shop apprenticeship programs. Until true equality is reached, state-approved apprenticeship requirements are just another competition-limiting tactic by the unions to gain market-share over open-shop contractors – and raise public construction costs at a time where every dollar must be spent wisely.

In summary...

The members of ABC firmly believe that public projects should be bid and awarded to the lowest responsible bidder. ABC believes public owners would be best served by encouraging bidding by the widest number of contractors. It is in all owners' interests to keep the doors open to all workers. If the work is openly bid without artificial restrictions – including both PLAs and apprenticeship requirements -- then all contractors have an opportunity to be awarded the work and all employees have an opportunity to be employed and trained on jobs that their taxes pay for.

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If you'd like more information about PLAs

If you would like a copy of the 14-page white paper on Project Labor Agreements, please return this coupon to ABC.

Name _____

Agency/Firm _____

Address _____

Phone _____ E-mail _____

Return to ABC, 399 114th Avenue NE, Bellevue, WA 98004
Email abcwww@abcwestwa.org Fax 425/455-5701 Phone 425/646-8000, 800/640-7789