



Project Labor Agreement Facts

Project Labor Agreements (PLAs), also known as Community Workforce Agreements (CWAs), have become a common part of major construction projects in California for both private and public sectors. PLAs can substitute for statutory “Skilled and Trained Workforce” requirements, which require a percentage of construction workers to be graduates from state-overseen apprenticeship programs. Non-union contractors may bid PLA-governed projects provided they commit to the agreement conditions.

	TYPICAL PUBLIC WORKS CONTRACTS	PROJECT LABOR AGREEMENTS	EXAMPLES
Price	• Typical Public Works projects require prevailing wages for construction workers. • Public Works contractors typically are <u>not</u> required to provide health insurance or retirement benefit plans, nor are they required to employ apprentices. • Because municipalities are required to take the “lowest responsible bid,” contractors often compete for low bids by reducing worker benefits to maintain profit margins.	• PLAs require full benefits. Construction workers are paid local prevailing wage and participate in payroll tax-advantaged employee benefit plans that are portable across multiple construction employers. • Union oversight ensures companies fulfill obligations to their workforce.	• Studies from UC Berkeleyⁱ and Cornellⁱⁱ plus academics from Michigan State, University of Rhode Island, and the University of Utahⁱⁱⁱ conclude that PLAs did not result in increased public works costs, nor do they limit the pool of bidders. • A report for the Iowa Policy Project shows PLAs are effective construction management tools embraced by the private sector because they improve coordination and on-time performance which ultimately saves money.^{iv}
Worker Benefits	• Prevailing wage law permits public works contractors to pay workers cash in lieu of making benefit plan contributions. • The Center for Construction Research and Training found: ◦ nearly 24% of construction workers did not have any health insurance in 2018, more than double the uninsured rate among all U.S. workers.^v ◦ only 25.9% of non-union construction production workers were eligible for a retirement plan through their employment, 74% were not.^{vi}	• PLAs require contractor participation in multi-employer benefit plans. • Retirement plan contributions are deposited into trusts regulated by the federal government that use portions of its capital to invest in municipal bonds and/or real estate development projects that require PLAs, begetting a cycle of high-quality jobs. • Unionized construction workers were nearly 50% more likely than their non-unionized counterparts to have employment-based health coverage, and twice as likely to have their premiums fully paid by their employer.^{vii}	• Local examples built with AFL-CIO pension trust funds: 888 North San Mateo Avenue Apartments; South San Francisco Cadence Apartments. • PLA Project Examples: County of San Mateo; South San Francisco Community Civic Center; San Mateo Wastewater Treatment Plant; Millbrae Recreation Center; San Bruno Park School District; San Mateo County Community College District; San Mateo Union High School District; South San Francisco Unified School District; San Francisco International Airport; San Mateo County Jail; Gateway at the Millbrae Station, a private mixed-use development.
Local Workers	• When contractors lower their price to win the bid, they often hire non-local unskilled workers who drive long highway distances to the jobsite. Workers suffer from long commutes and add to traffic congestion.	• PLAs can set local hiring targets and requirements that benefit the local community. • PLAs include Skilled and Trained Workforce agreements, meaning a percentage of workers on a job site are local graduates from free, state-approved, and accredited apprenticeship programs.	• A Cornell study concludes that PLAs are effective workforce and community economic development tools. They can expand opportunities for apprenticeship training and hiring of minority, women, and low income workers.^{viii} • This UCLA Labor Center Study explains the positive social impact when public construction projects in Los Angeles met or exceeded their PLAs’ local hiring goals.^{ix}

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Competition	Public Works contracts focus on price competition to achieve the “lowest responsible bid.” While construction material costs are relatively consistent and market-driven, some companies maintain profit margins by eliminating or reducing workforce benefits.	- By requiring prevailing wages, benefits, and labor protections from all competitors (essentially fixing labor costs for the project) bid competition is driven by quality and efficiency. - PLAs incentivize companies to hire the best workers, improve processes, and complete projects quickly. This fosters a cycle of consistent high-quality, high-productivity projects.	- An analysis of projects built under The San Diego Unified School District's PLA cite faster completion and no increase in costs compared to SDUSD's non-PLA projects.^x - Cornell's Industrial & Labor Relations School found PLAs are non-discriminatory and promote competition among union and non-union contractors. Also, direct and indirect cost savings can be substantial under PLAs.^{xi}
Wage Theft	- Without diligent and costly City oversight, many contractors promise but do not always pay prevailing wage to their workforce, a practice known as wage theft. - Some contractors manipulate prevailing wage payments by splitting among multiple workers. For example, if the required prevailing wage is \$75 per hour, contractors pay three employees \$25 each and report one employee on their filings. - Although this practice is prohibited under labor laws, government only enforces when workers complain. Low-wage workers are unlikely to file complaints because they fear losing their jobs.	Under PLAs, labor unions and labor/management-run employee benefit plans are empowered to monitor the full and proper payment of wages and benefits. These protections prevent wage theft and provide resources to report it. This removes the enforcement burden from local cities, counties, and school districts.	A study by the Economic Policy Institute found^{xii}: - an estimated 2.4 million workers in the ten most populous U.S. states lose a combined \$8 billion every year to wage theft. - workers not covered by unions are almost twice as likely (4.4%) to experience wage theft as those in a union or covered by a union contract (2.3%).

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ⁱⁱ Fred B. Kotler, “Project Labor Agreements in New York State: In the Public Interest,” Ithaca, NY: *Cornell University, School of Industrial and Labor Relations—Extension Division, Construction Industry Program*, (2009): 31. <https://ecommons.cornell.edu/handle/1813/74340>

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^v Samantha Brown, Raina D. Brooks, and Xiuwen Sue Dong, “Health Insurance Coverage in the Construction Industry,” *The Center for Construction Research and Training Data Bulletin* (April 2020): 1-2, <https://www.cpwrr.com/wp-content/uploads/publications/DataBulletin-April-2020.pdf>

^{vi} The Center for Construction Research and Training, *The Construction Chart Book: The U.S. Construction Industry and Its Workers 6th Edition* (Maryland: CPWR, 2018), Chapter 27, 75-76. https://www.cpwrr.com/wp-content/uploads/publications/The_6th_Edition_Construction_eChart_Book.pdf

^{vii} Brown, Brooks, Dong, 1-2.

^{viii} Kotler, 32.

^{ix} Peter Philips, Sharon Delugach, Raahi Reddy, and Rebecca Frazier, “Construction Careers for our Communities,” *UCLA Labor Center* (2008): 2-4, <https://www.pacific-gateway.org/constructioncareersforourcommunities.pdf>

^x Rea & Parkers Research, “San Diego Unified School District Project Stabilization Agreement: A Review of Construction Contractor and Labor Considerations,” *San Diego Unified School District* (November 2011): ii, https://p18cdn4static.sharpschool.com/UserFiles/Servers/Server_27732394/File/Departments/Facilities%20Planning%20and%20ConstructionNewFolder/Doing%20Business%20with%20Facilities%20Planning%20&%20Construction/SDUSD_PSAstudy12-7-11Rea&Parker.pdf

^{xi} Kotler, 31-32.

^{xii} David Cooper and Teresa Kroger, “Employers steal billions from workers’ paychecks each year: Survey data show millions of workers are paid less than the minimum wage, at significant cost to taxpayers and state economies,” *Economic Policy Institute* (May 10, 2017), <https://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year/>