

Testimony of Peter Philips
Professor and Chair, Economics Department, University of Utah

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Project labor agreements (PLAs) are market contracts for the procurement of construction services used by owners in both the public and private sector. However, PLAs are primarily a private sector tool. For instance, 72 percent of all PLAs in California are private sector agreements.¹

When the government or private owner comes to the market with a large amount of real, tangible work, that owner is in a position to demand concessions. These concessions might include wage discounts or access to apprenticeship training or local hire provisions or minority training or new safety procedures or new work rules or a host of other possibilities that might be on the owner's wish list.

PLAs make no sense in local areas where unions have nothing that the public or private owner wants. But if the government wants priority access to skilled union labor or the investment of union apprenticeship funds in minority training or the use of union hiring halls to facilitate local hire or the transitioning of returning veterans into construction careers or the implementation of project-specific work rules or the application of new drug testing policies or any other union asset or concession useful to a specific project or government purpose, PLAs are the market contract of choice to harvest these benefits in exchange for access to the work the government controls.

Allowing contractors on public works to use PLAs but prohibiting the government from doing so takes the government's interests out of the game. For instance, the government may be interested in local, veteran or minority hire or the development of construction careers for disadvantaged workers while the contractor conceivably could care less.

Disallowing the government from using PLAs, robs the taxpayer of the ability to harvest the full value of their tax dollars, takes the government out of the picture and confers the value of an asset the government owns to the general contractor.

PLAs need not give the unions or union contractors sole access to the owner's work. In the public sector, PLAs permit nonunion contractors to bid on the work. Government PLAs typically permit nonunion contractors to bring key workers onto the project independent of union hiring halls. PLAs can set aside some work for minority contractors; and some of the work can be set outside the PLA. PLAs are flexible and creative labor procurement contracts that bend to the needs of specific projects.

¹ Kimberly Johnston-Dodds, Constructing California: A Review of Project Labor Agreements, California Research Bureau, California State Library, 2001, p. 1; <http://www.library.ca.gov/crb/01/10/01-010.pdf>

Critics of PLAs on federal projects claim that PLAs raise construction costs by reducing the number of bidders on these projects. Their basis for this claim is surveys of nonunion contractors' intentions.² This has four weaknesses: intentions are not actions; no actual project was under consideration; survey respondents may not be the relevant contractors for federal projects; and the surveyors failed to ask union contractors their intentions.

In contrast, in a controlled study of real bids involving real contractors bidding on real school construction projects in the Bay Area, I found that there was no statistically significant difference in the number of bids after one school district adopted a PLA compared not only to before that district had a PLA, but also compared to the adjoining district which did not have a PLA.³

Furthermore, in a study of over 8000 bid openings, I found that on large projects such as those that a PLA might cover, 3 or 4 bidders were sufficient to deliver a competitive price and that the loss of additional bidders had negligible effect on bidding outcomes.⁴

Critics also allege that PLAs raise costs because unions have onerous work rules. This ignores the fact that PLAs are precisely the market instrument capable of setting and adjusting work rules to the specific needs of particular projects. Robbing the government of PLA contracts robs the government of the ability to address this issue that critics claim is salient.

Critics also argue that PLAs raise costs because nonunion contractors must pay double both into their own health insurance program and also into union health programs. However, this argument ignores the fact that only 12 percent of nonunion workers have their health insurance paid fully by their nonunion contractor, and 65 percent receive no health insurance whatsoever from their nonunion contractor.⁵ PLAs expand health insurance coverage on federal projects with negligible double premium problems.

In sum: PLAs allow the government to harvest the full value of the asset they own: namely specific work. They should be used when the government has substantial work on offer and construction unions have something the government wants. To deny government access to this tool prevents the government from representing itself in its own best interest when circumstances warrant.

² David G. Tuerck, PhD, Sarah Glassman, MSEP, Paul Bachman, MSIE, [Project Labor Agreements on Federal Construction Projects: A Costly Solution in Search of a Problem](#), THE BEACON HILL INSTITUTE AT SUFFOLK UNIVERSITY, AUGUST 2009, p. 18. (All of the following PLA criticisms discussed below are reprinted in this report).

³ Dale Belman, PhD, Matthew Bodah, PhD and Peter Philips, PhD, [Project Labor Agreements](#), ELECTRI International, The Foundation for Electrical Construction, 2007, Chapter 4, "Bidding and Costs" pp. 35-37.
http://en.wikipedia.org/wiki/Project_Labor_Agreement

⁴ Sheng Li, Joshua R. Folger and Peter W. Philips, "Analysis of the Impacts of the Number of Bidders Upon Bid Values," [Public Works Management and Policy](#), January 2008 vol. 12 no. 3 503-514
<http://pwm.sagepub.com/content/12/3/503.abstract>

⁵ Jaewhan Kim and Peter Philips, "Health Insurance and Worker Retention in the Construction Industry," [Journal of Labor Research](#), Table 3, Sample means for key variables for union/nonunion workers in the 2001 panel,
<http://www.springerlink.com/content/60656065515x8463/>