



3727 CAMINO DEL RIO SOUTH, SUITE 100  
SAN DIEGO, CA 92108  
PHONE: 619-584-5744  
[WWW.ONLINECPI.ORG](http://WWW.ONLINECPI.ORG)

## MEMORANDUM

DATE: April 29, 2009  
TO: Members, Proposition S Independent Citizen's Oversight Committee  
FROM: Corinne Wilson, Center on Policy Initiatives  
SUBJECT: Project Stabilization Agreements provide community benefits

---

Salient facts are missing from the report of the Prop S ICOC Construction Committee Special PSA meeting on April 9, 2009. The Project Stabilization Agreement (PSA) for Proposition S funds protects the community by setting worksite compensation and other standards, including access to healthcare; by providing middle-class career opportunities for our children, and by guaranteeing that our bond funds are reinvested into the local community they came from. It will accomplish all this without increasing cost. In this memo, these benefits to the community will be discussed.

Project Stabilization Agreements establish the terms and conditions of employment on construction projects. The U.S. Supreme Court in the "Boston Harbor" case states that these agreements accommodate conditions such as the contractor's need for predictable costs and a steady supply of skilled labor.<sup>1</sup> On February 6, 2009, President Obama issued an executive order encouraging the use of project labor agreements for federal construction projects to ". . . advance the Federal Government's interest in achieving economy and efficiency in Federal procurement, producing labor-management stability, equal employment opportunity, labor and employment standards, and other matters".<sup>2</sup>

The PSA currently proposed for the San Diego Unified School District is in good company. Over 29 school bond measures in California are covered by PSAs.<sup>3</sup> Many have been renewed to cover new bonds, concrete evidence that school board members who have experience with PSAs are enthusiastic about the benefits provided.<sup>4</sup>

---

<sup>1</sup> Building and Construction Trades Council of the Metropolitan District, et al. v. Associated Builders and Contractors of Massachusetts / Rhode Island, et al., 507 U.S. at 231 (1993), hereinafter "Boston Harbor."

<sup>2</sup> [www.whitehouse.gov/the\\_press\\_office/ExecutiveOrderUseofProjectLaborAgreementsforFederalConstructionProjects/](http://www.whitehouse.gov/the_press_office/ExecutiveOrderUseofProjectLaborAgreementsforFederalConstructionProjects/)

<sup>3</sup> Project Labor Agreement Activity in California.  
[www.abcsocal.org/Files/PLAList072108.pdf](http://www.abcsocal.org/Files/PLAList072108.pdf)

<sup>4</sup> [http://www.lecet.org/Clearinghouse\\_Public/LECET/PLA/669.PLAbooklet.pdf](http://www.lecet.org/Clearinghouse_Public/LECET/PLA/669.PLAbooklet.pdf)

**Local hire reinvests in the community.**

The San Diego PSA will guarantee that Prop S funds help local residents. San Diego County lost 10,000 construction jobs in 2008 alone.<sup>5</sup> The local hire percentages will focus on employing qualified construction workers in neighborhoods of San Diego that traditionally suffer from higher-than-average unemployment rates.

Local hire requirements increase the number of local residents hired on public works projects. Residents in Los Angeles complained about the lack of employment opportunities for them on the \$218 million Los Angeles City Hall renovation and reconstruction project. A resulting audit showed that only 2% of worker hours on the project were performed by local residents.<sup>6</sup> In response, the LA Department of Public Works passed a policy requiring PSAs for major projects.

Currently, LADPW has similar agreements on nine major projects in various stages of completion. From the \$931 million combined project cost, more than 2,600 local residents have been hired and more than \$41 million in wages and compensation has therefore stayed local.<sup>7</sup>

Likewise, the Los Angeles Unified School District (LAUSD) has used PSAs on their last five bond measures, which together create the largest construction project in the country, totaling \$27.1 billion dollars. Nearly 20,000 LAUSD residents and 41,000 LA County residents have been employed, keeping more than \$780 million local and thereby reinvested into the community.<sup>8</sup>

**Apprenticeship programs and career ladders mean middle-class jobs for students.**

These agreements provide career opportunities for our students by setting goals for the amount of apprentice hours used on projects and by increasing demand for apprentices. Apprenticeship programs provide both classroom and on-the-job training to prepare students for middle class jobs with good wages and benefits. For women and minorities, graduating from an apprenticeship program greatly increases the likelihood of having health insurance and pensions.<sup>9</sup>

Union apprenticeship programs cover all crafts and are more numerous (177) than non-union programs (40) in the state. Furthermore, union apprenticeship programs graduate 92% of all the apprentices in California and 95% of all women and 92% of all minorities for the years 2002 - 2007.

---

<sup>5</sup> California Employment Development Department, Labor Market Information, Jan 2009

<sup>6</sup> Presentation to San Diego Unified School District Board by Manuel Perez, City of Los Angeles Labor Compliance Officer. CPI files.

<sup>7</sup> *ibid*

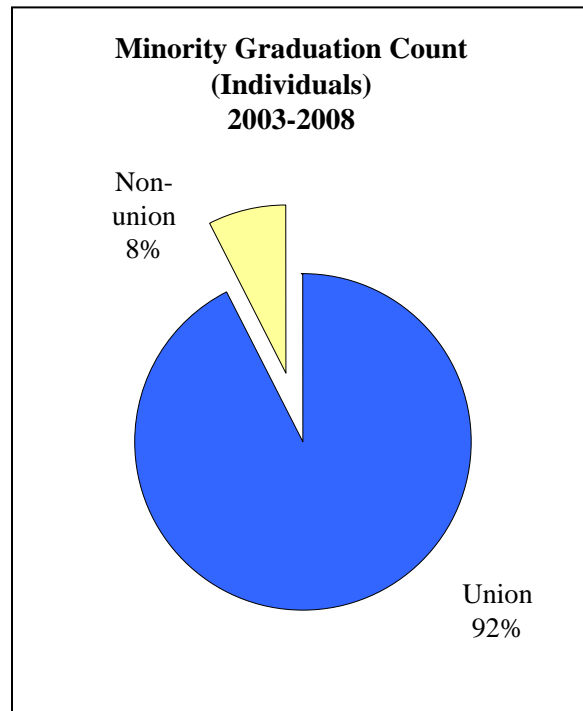
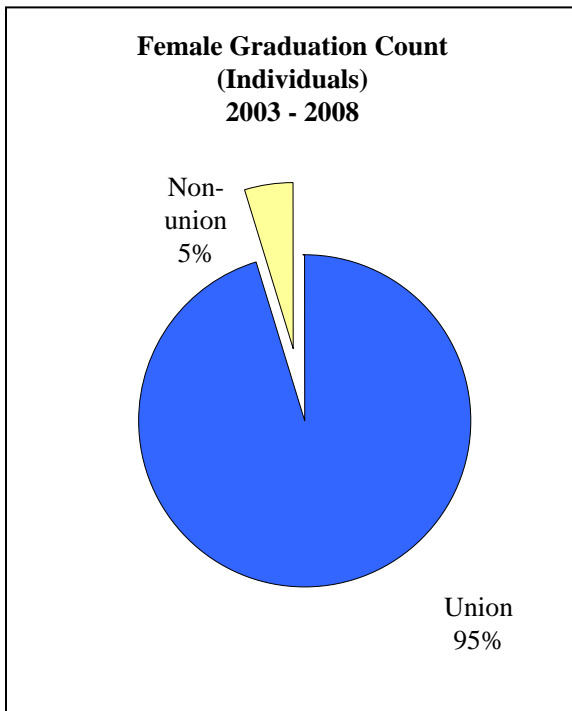
<sup>8</sup> Los Angeles Unified School District We Build Program Facilities Committee Report, March 5, 2009. CPI files.

<sup>9</sup> Schmitt, John. Center on Economic Policy Research. *Benefits of Unionization*.  
<http://www.cepr.net/index.php/the-benefits-of-unionization/>

**California State Certified Apprentice Programs**

	Number of State-Approved Apprenticeship Programs		Number of Graduates (Individuals) 2002 - 2007	
	Union	Non-Union	Union	Non-Union
<b>Committee Craft</b>				
Asbestos Workers	2	0	186	0
Boilermakers	1	0	62	0
Bricklayer	3	2	110	16
Carpentry	25	3	4,449	337
Carpet, Linoleum & Soft Tile	2	1	330	2
Cement Masons	3	0	520	0
Drywall / Lather	9	2	1,904	0
Electrical & Electronic	29	9	4,362	1,110
Elevator	2	0	617	0
Engineer	4	3	2,026	13
Glazier & Glass Workers	6	0	437	0
Heating, Ventilation and Air Conditioning	8	2	532	246
Iron & Steel Workers	8	0	2,116	0
Laborers	8	2	1,540	56
Lineman	1	2	324	37
Millwright	2	0	185	0
Painting & Decorating	5	4	1,033	66
Plasterers	4	0	294	0
Plumbing	29	6	2,769	306
Roofers	7	2	618	115
Sheet Metal	9	2	1,654	114
Surveyor	2	0	482	0
Tile Layer/Setter	8	0	976	0
<b>Total</b>	<b>177</b>	<b>40</b>	<b>27,526</b>	<b>2,418</b>
<b>Percentage</b>	<b>82%</b>	<b>18%</b>	<b>92%</b>	<b>8%</b>

Source: California Department of Industrial Relations, Division of Apprenticeship Standards dataset



Source: California Department of Industrial Relations, Division of Apprenticeship Standards.

**PSAs provide healthcare self-sufficiency rather than reliance on taxpayers.**

PSAs give all project workers access to healthcare through their workplace. A report by CPI released in March of this year, found that only 35% of construction workers in California received health insurance through their employers in 2005, the height of the building industry boom.<sup>10</sup> Many were left completely uninsured (32%) or were covered by government programs such as Medicaid (13%).<sup>11</sup>

The construction industry accounted for 15% of the state’s chronically uninsured, more than twice its share of the workforce (7.3%).<sup>12</sup> More than a quarter (27%) of construction workers were uninsured for the entire year while more than 40% were uninsured at least part of the year.<sup>13</sup>

There is significant evidence that not having health insurance leads to poorer health, and the construction industry is particularly hazardous. The occupational injury and illness rates of some construction trades are more than double the incidence rate for an average private sector worker. Construction has an incidence rate of 7.1 injuries and illnesses per

<sup>10</sup> CPI, *Construction: Working without a safety net.*  
[http://www.onlinecpi.org/downloads/ConstructionReport\\_webversion.pdf](http://www.onlinecpi.org/downloads/ConstructionReport_webversion.pdf)

<sup>11</sup> *ibid*

<sup>12</sup> *ibid*

<sup>13</sup> *ibid*

100 full-time (or equivalent) workers in construction, compared to 4.7 for all private industries.<sup>14</sup>

A PSA allows project workers to access healthcare coverage through multi-employer trust plans. Employees contribute to the plans based on the type of craft and derive health benefits that stay with them as they move between contractors and projects subject to the PSA, rather than losing benefits with each project move.<sup>15</sup> More than 80% of unionized construction workers have job-based health coverage compared to only 46% in the nonunion sector of the industry.<sup>16</sup>

### **Compliance and worksite safety provide our community with good jobs.**

Training, monitoring and education about compliance with OSHA (the federal Occupational Safety and Health Administration) standards all play a significant role in reducing workplace injuries and protecting workers' rights. Apprenticeship programs provide both on-the-job and classroom safety instruction. A study performed in Washington state demonstrated that construction laborers who received safety training reduced workers' compensation claims by 12%, and for workers under age 25, the reduction was 42%.<sup>17</sup>

Worker representation on the jobsite is another key element of safety and overall compliance with laws and standards. When an issue regarding safety, health or wages and hours arises, a process already exists for resolution. Therefore, a worker placed in an unsafe situation has the training to recognize it and also understands how to resolve it. A study on perceived safety in the construction industry found that construction workers with on-site representation were more likely to be "made aware of dangerous work situations, [to have] received safety instructions when hired, [to] have regular job safety meetings and perceive that taking risks was not part of their job."<sup>18</sup>

While OSHA is responsible for monitoring over 6 million worksites across the nation, the agency is severely understaffed, employing only 2,000 inspectors.<sup>19</sup> Worker representation can supplement OSHA and other federal, state and local agencies in ensuring worksite safety and training by providing expertise within the on-site workforce.

Furthermore, under a PSA, local agencies are better empowered to protect wage, hour, health and safety standards on the job. By using the PSA as an instrument to set uniform standards on projects, the Los Angeles Department of Public Works (LADPW) has been able to increase its compliance program. For the 2003 – 2006 fiscal years, the LADPW Bureau of Contract Administration made 194 assessments for a total amount of \$6.2 million. A substantial majority (84%) of assessments were made against firms without

---

<sup>14</sup> *ibid*

<sup>15</sup> *ibid*

<sup>16</sup> Delugach, Sharon and Raahi Ready, *Helping LA Grow Together: Why the Community Redevelopment Agency Should Adopt the Construction Careers Policy.*

<http://www.labor.ucla.edu/publications/reports/CRA-Report.pdf>

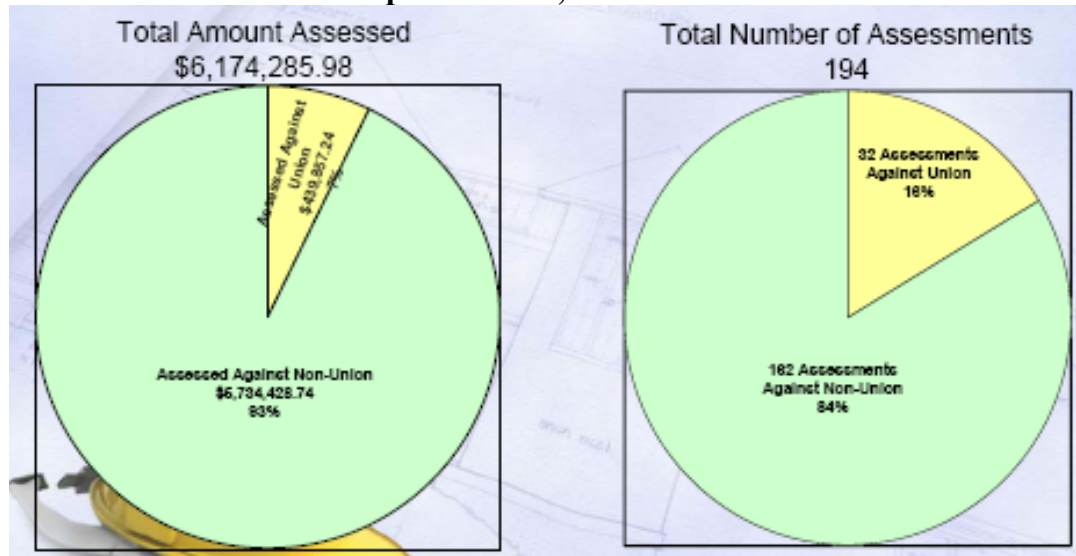
<sup>17</sup> Found in *ibid*

<sup>18</sup> Found in *ibid*

<sup>19</sup> *ibid*

worker representation, and these firms accounted for 93% of total assessments collected.<sup>20</sup> Firms with worker representation had fewer and less severe non-compliance assessments overall.

**City of Los Angeles Department of Public Works, Bureau of Contract Administration Labor Compliance Data, 2003 - 2006<sup>21</sup>**



**PSAs have no impact on cost or number of bidders.**

Studies and high-court opinions show that PSAs do not increase cost nor decrease the number of bidders on a project, but may be advantageous for complex projects where timeliness is crucial.

Rather than increase cost, the agreements provide benefits to the community. Indeed, studies have shown that project cost is directly related to the complexity of a project, not the existence of an agreement like the San Diego Unified PSA.<sup>22</sup> Cost is strongly correlated with size, location, whether the school is an elementary school, and the amenities provided such as cafeterias and swimming pools.<sup>23</sup> Across the nation, complex projects regularly use this type of agreement to reduce and control difficulties.<sup>24</sup>

The U.S. General Accounting Office (GAO) issued a report on PSAs (referred to as project labor agreements) noting an overall lack of data but reporting that both “proponents and opponents of the use of PLAs said it would be difficult to compare

<sup>20</sup> Presentation, Los Angeles Bureau of Contract Administration. *Project Labor Agreements*. CPI files.

<sup>21</sup> *ibid*

<sup>22</sup> Government Accounting Office. 1998. *Project Labor Agreements: The Extent of the Their Use and Related Information*. Washington, D.C.: Government Printing Office.

<sup>23</sup> Dale Belman, Matthew Bodah and Peter Philips. *Project Labor Agreements*. [http://massbuildingtrades.org/sites/massbuildingtrades.org/files/PLA\\_NECA\\_Report.pdf](http://massbuildingtrades.org/sites/massbuildingtrades.org/files/PLA_NECA_Report.pdf)

<sup>24</sup> Fred Kotler. *Project Labor Agreements in New York State: In the Public Interest*. <http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1021&context=reports>

contractor performance on federal projects with and without PLAs because it is highly unlikely that two such projects could be found that were sufficiently similar in cost, size, scope, and timing.” In conclusion, the GAO said, “drawing any definitive conclusions on whether or not the PLA was the cause of any performance differences would be difficult.”

The relationship between size of the bidding pool and project cost is difficult to study for the same reasons. In two studies in New York State, the statistics show that the research model accounts for only 11% of the variance in project cost.<sup>25</sup> This suggests that there are many critical variables that more significantly impact project cost.

Another study performed by the GAO on contracts on the Idaho National Engineering Laboratory, which was governed by a PLA, showed that non-union contractors did bid on the project and were awarded 30% of contracts, despite having told the GAO that they would not bid because of the PLA.<sup>26</sup>

---

<sup>25</sup> Dale Belman, Matthew Bodah and Peter Philips. *Project Labor Agreements*.  
[http://massbuildingtrades.org/sites/massbuildingtrades.org/files/PLA\\_NECA\\_Report.pdf](http://massbuildingtrades.org/sites/massbuildingtrades.org/files/PLA_NECA_Report.pdf)

<sup>26</sup> *ibid*