

## SAMPLE NARRATIVE IN SUPPORT OF PLAs

[This letter was sent in response to an Op-Ed by this Council Member in Pueblo, CO who claimed that using a PLA for the construction of a natural gas power plant would cost the city an additional \$30 million. I encourage state and local councils to utilize this sample narrative in their efforts to counter the ABC's disinformation campaign]]

June 7, 2010

Ms. Vera Ortegon  
City Council Member, At Large  
City of Pueblo  
One City Hall Place, Pueblo, Colorado 81003

Dear Ms. Ortegon:

I am writing you today in response to your recent Op-Ed re: a Project Labor Agreement (PLA) for the proposed Black Hills natural gas power plant (“Forcing Union Pay Scale is a Non-Starter”). Specifically, I would like to address your unsubstantiated opinion that the use of a PLA for this project will saddle the city of Pueblo with an additional \$30 million in costs. Such comments are, unfortunately, reflective of the mischaracterizations and outright falsehoods being disseminated by the organized opponents of PLAs, who have a vested interest in sustaining a “race to the bottom” business model that has come to define the U.S. construction industry today. Hopefully, upon hearing the other side of this debate, you may take a second look at this issue and revise your opinion and view when it comes to the value of PLAs.

Most glaringly is the fact that you provide no basis upon which the \$30 million figure was derived. My guess is that you have simply subscribed to the “20%” theory being bandied about by the Associated Builders and Contractors (ABC), which claims that the use of PLAs increases the costs of construction by 20% - primarily because, in their view, PLAs require the use of union labor. Let’s examine that theory in greater detail.

The “20%” argument is premised on the simplistic calculation that having to pay workers more per hour will increase the cost of the project. Now, I realize that you are not an expert on the construction industry, but most educated people can understand that “labor costs” are a product of wages times the number of hours worked. Study after study has shown that union construction labor (because of the high level of intensive training associated with our skilled craft training programs) is distinctly more productive than non-union labor. Further there is an explicit relationship between productivity and wages. In other words, the lower the wage, the lower the productivity.

Which brings me to my second point. For lawmakers and policymakers who find themselves engaged in discussions and debates over issues such as Project Labor Agreements (PLAs) or prevailing wage laws, it helps to first gain an understanding of the American construction industry, and its dark underbelly, as it exists today.

On the one hand, you have the PLA business model that is epitomized by jobsite efficiencies and responsible contractors who play by the rules, follow the laws, and comply with existing ordinances to insure that taxpayers and their clients get what they pay for – which is quality work and value on jobs completed on-time and within budget; and with a healthy respect for the workforce and the communities in which they operate. These contractors follow local ordinances and licensing requirements, and provide family-sustaining wages, health care and retirement benefits. Further, they are active participants in the skilled workforce development initiatives that provide career training opportunities within local communities. In total, they provide a stable, highly trained and productive workforce that earns a healthy income, thereby lessening the impact on the social safety net and financial resources of governments or local charitable support groups.

Unfortunately, the American construction industry, as it exists today, is increasingly becoming defined by contractors who have explicitly chosen to not play fair...or play by any rules at all. These unprincipled contractors attempt to win bids and fatten their profit margins by intentionally doing things that subvert the law. They will submit drastically low bids knowing they have no intention of following prevailing wage laws, even when mandated by law. These contractors are increasingly engaged in “misclassifying” their employees as “independent contractors” in order to avoid paying Workers' Compensation and Unemployment Insurance benefits – which allows them to submit an even lower bid while simultaneously ripping off the taxpayers by not paying requisite taxes. Unfortunately, it has also become a de facto part of the “race to the bottom” business model to utilize and exploit illegal and undocumented workers and pay them sub-standard wages (or not pay them at all, in some cases). And finally, these contractors are not adverse to using inferior materials, and taking unsafe shortcuts that put workers, as well as the project itself, in danger.

Not surprisingly, these contractors, and the organizations that represent them (like the Associated Builders and Contractors), are the most vocal opponents of project labor agreements and prevailing wage laws.

Now, this is not only unfair to responsible businesses and employees who live and work in our communities, and who find themselves having to compete against this “race to the bottom” business model...but it's also NOT FAIR TO THE TAXPAYERS!

A close examination of the U.S. construction industry as it exists today reveals an industry that saddles the U.S. health care system with the highest injury and illness rate among all private industries. According to CPWR – the Center for Construction Research and Training, the construction industry has the highest rate of non-fatal injuries and illnesses, and it has three times the fatality rate of other private industries[1]. Accordingly, construction accounts for the highest rate of injuries and illnesses entering the nation’s hospitals, particularly hospital emergency services.

Now, couple those disturbing facts with this: the construction industry and the agricultural industry have the lowest rate of health care coverage on an inter-industry basis, and within construction, coverage is lowest within companies having fewer than 10 employees – which comprises the vast number of construction contractors (over 80% of all employers).

In sum, the U.S. construction industry faces the dual dilemma of high-risk work and chronic un-insurance, primarily because relatively few construction companies offer employee coverage – and significant numbers of employees cannot afford the coverage when it is offered...leaving them to obtain health care services at the public's expense.

So, when a patient receives a hospital bill that charges \$7.00 for one tablet of Tylenol, he or she needs to look no further than the preponderance of the “race to the bottom” approach in the construction industry (as well as other industries) to understand why. In fact, such cost-shifting has taken, and continues to take, a tremendous toll on families and communities all across the nation. Recent studies have documented the heavy burden on public safety net programs—and resulting costs for the taxpayers—caused when workers are paid poverty wages and do not receive employer-provided health and retirement benefits.

For example, the Center for American Progress has estimated that in Dallas, TX the societal cost of uncompensated health care and other services – in the form of higher taxes and insurance premiums – runs as high as \$1,800 per family per year!

An analysis by the University of California found that \$10.1 billion of the \$21.2 billion that federal and state taxpayers spent in 2002 on public assistance programs in California went to families of low-wage workers. Similar analyses have demonstrated corresponding public costs attributable to low-wage employers in New York, Wisconsin and Illinois.

These hidden public costs work to offset the perceived savings that low-wage contractors may appear to offer federal, state and local agencies who contract for construction services. Unfortunately, the contract pricing and evaluation systems currently used by agencies at all levels of government typically do not take into account these indirect costs.

Conversely, a growing body of research demonstrates that in many industries, contractors that provide good wages and benefits and respect workplace laws deliver higher quality services for government agencies and the taxpayers.

In construction contracting in particular, research has indicated that high road contractors that comply with workplace laws and provide quality training, along with family-sustaining wages and benefits, typically have better skilled and more productive workforces that increase both the productivity and quality associated with public construction work. And that results in savings for the taxpayers.

It's simply a matter of common sense and economics. A highly paid, highly trained workforce is more productive, which can have the effect of producing lower labor costs than a low-wage, low-skill

workforce. That is the essence of the PLA business model.

As early as the 1980's, an audit by the U.S. Department of Housing and Urban Development (HUD) of seventeen HUD sites found a "direct correlation between labor law violations and poor quality construction" on HUD projects, and found that the quality defects on these sites contributed to excessive maintenance costs. The HUD Inspector General concluded that "[T]his systematic cheating costs the public treasury hundreds of millions of dollars, reducing workers' earnings, and driving the honest contractor out of business or underground."

More recently, a survey of New York City construction contractors by New York's Fiscal Policy Institute found that contractors with workplace law violations were more than five times as likely to have a low performance rating than contractors with no workplace law violations. Other studies have found that construction workers who receive higher wages and quality training are at least 20 percent more productive than less skilled and lower paid workers.

On the flip side, a study examining the impact of repealing prevailing wage laws in nine states found that the resulting drop in construction worker wages correlated with increases in cost overruns and delays on construction projects, and led to a workforce that was less skilled and less productive. Yet despite the recognized quality advantages and offsetting savings generated by better paid workforces, many federal, state and local contracting systems do not currently provide any systematic way to factor them in during the contract pricing and evaluation process. As a result, they remain largely ignored, skewing the selection process towards the "race to the bottom" contractors.

The city of El Paso, Texas, discovered that while the bids that the city receives from contractors that provide health benefits tended to be a little higher, the net impact on the taxpayer is about the same because of higher workforce productivity and the offsetting public health care system savings.

In the long run, it costs government more money to have people making poverty level wages, and not having health and retirement benefits. It is a huge drain on the economy and on the tax base. Therefore, it is important to factor those costs into the contracting process. Where an employer is providing health and retirement benefits and saving the health system money, those savings should be weighed when federal, state and local governments seek to invest in construction.

Project Labor Agreements are a valuable tool to ensure that public dollars are leveraged to ensure not just a quality return on the construction investments, but also to ensure that taxpayer dollars are not being used to further prop up a business model that causes so much social and economic damage – and which those same governmental entities will have to clean up with additional taxpayer funds. Finally, Project Labor Agreements provide a structured pathway for local residents to gain access to career training in the skilled trades. Most skilled trade apprenticeships offer "earn while you learn" programs that mandate five years of training consisting of over 800 hours of classroom education and 8,000 hours of on-the-job training under the supervision of an experienced and highly skilled tradesperson. In some cases, the completion of a skilled craft apprenticeship program includes the awarding of a two-year Associate's Degree from a local community college.

The bottom line is that the U.S. construction industry is increasingly becoming characterized by companies willing to do work for bargain-basement prices, but they may not always deliver what they promise and often times that results in more costs for our community as work needs to be corrected or repaired, and poverty-wage workers unduly place increasing burdens on our social safety nets – which results in increased taxes and other costs being placed on individuals and small businesses. At some point, our nation needs to break its addiction to cheap, exploitable labor.

Morals, values, decency – all are essential in a civil society. Strong families, a prosperous Middle Class, and healthy communities – all of them are essential if we, as Americans, are to enjoy the fruits of our success. And all of them are essential components for a thriving American Dream. PLAs were created to support and protect those values we hold dear. Unfortunately, we are allowing them to be dismissed and diminished through the acceptance of a “race to the bottom” business model. America’s Building Trades Unions would like to think that in our nation today, GOODNESS STILL MATTERS! After all, what good is a stronger economy at home if it is built upon cheap labor and exploitation? Government simply cannot allow corporations to erode our moral fabric.

In fact, the true greatness of America has never been measured by the Dow Jones industrial average, the gross national product, or the combined value of our individual and corporate checkbooks. No, the strength of America...the true GREATNESS of America...is the moral fiber of her people, and the integrity of her leaders and how we support and treat the American middle class. That is the greatness of America.

It has often been said that America is great because America is good. And our goodness – our sense of right and wrong, our commitment to fair play and justice – comes from values. Values that are taught by parents to their children all across America. Values like faith, responsibility, and community. These are the values that our government must preserve and protect...not the values of unscrupulous employers and entire industries who seek to subvert our morals by seeking to have local governments like Pueblo prop up a business model that thrives on a low-wage, low-skill, easily exploitable workforce that causes so much social and economic damage to our communities.

Throughout our history, we have seen the wisdom of American values like fair play, responsibility and community. We have seen how they can nurture strong and loving communities....and how they have made America both good and great. The opponents of PLAs have been quite effective in couching their “race to the bottom” values structure in specious language that speaks to free-markets and the entrepreneurial spirit; but, in practice, what they defend is a business model that tears at the fabric of our nation.

I guess we are more old-fashioned. We appreciate traditional American values.

In conclusion, I would ask you this one simple question: If PLAs are so bad...if they drive up the cost of construction by 20% or more (as you claim)...then why are they so prevalent in the private sector among hundreds of companies and corporations that are so infinitely attuned to their bottom lines and profit margins? And why do we never see the ABC or any other defenders of the “race to the bottom” business model protest the use of PLAs in the private sector?

Well, there is one simple answer as to why. BECAUSE PLAs WORK! Just look at Toyota – which has built all of its North American manufacturing facilities under PLAs and in recent years reported that its construction costs were one-third less than its competitors.

The idea that taxpayer dollars should be invested in a ‘race to the bottom’ business model based on the imprecise hopes of saving money is an idea fashioned for the world of yesterday – when seeking out cheap labor both at home and abroad was the popular thing to do. Today, we seek transformative ideas that can propel our society forward...not backward. Project Labor Agreements can help us do just that...by not only ensuring a proper budgetary return on taxpayer investments, but also by facilitating stronger communities and career training opportunities that will equip and prepare many local citizens to pursue their version of the American Dream.

Thank you for this opportunity to communicate with you.

Sincerely,

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