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Project Labor Agreements in Los Angeles

The Example of the Los Angeles Unified School District

Uyen Le, UCLA Labor Center, California Construction Academy

Lauren D. Appelbaum, Institute for Research on Labor and Employment

Introduction

Construction industry jobs fall into two camps – either “high-road” or “low-road.” High road construction jobs and contracting opportunities are regulated, safe, pay wages that can support a family, provide benefits, and create middle-class careers. Low-road construction jobs on the other hand are unregulated, dangerous, low-paying and offer few opportunities for career advancement. Many public agencies and private companies are using Project Labor Agreements (PLAs) or Project Stabilization Agreements (PSAs) as a tool to ensure that construction work follows the high-road. These agreements, which help to improve economic opportunity within local communities, provide standards for quality, safety, and cost on construction projects.

One major provider of construction projects in the Los Angeles region is the Los Angeles Unified School District (LAUSD). The LAUSD has spent nearly \$8.7 billion over the past 7 years on new construction and renovation projects. The LAUSD has signed a PSA and provides a good case study of PSAs in action as utilized by a large, urban employer. PLAs or PSAs are generally created with the intention of meeting certain goals around local hiring and diversity. The LAUSD PSA established employment goals for small, local, emerging, and disabled business enterprises as well as small and minority contractors. This Research & Policy Brief will draw on a larger report published by the UCLA Labor Center’s California Construction Academy¹ to discuss the role of PLAs or PSAs in creating high-road construction industry employment and whether the LAUSD met the goals laid out in its PSA.

¹ This Research Brief is drawn from the larger report: Le, U. (2011, November). [Project labor agreements: Pathways to business ownership and workforce development in Los Angeles](#). Los Angeles: UCLA Labor Center, California Construction Academy.

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IRLE INSTITUTE FOR RESEARCH
ON LABOR AND EMPLOYMENT
UNIVERSITY OF CALIFORNIA, LOS ANGELES

10945 Le Conte Ave. Ste. 2107
Los Angeles CA 90095
Tel: (310) 794-5957
Fax: (310) 206-4064

www.irle.ucla.edu

Project Labor Agreements – Defined

A Project Labor Agreement or Project Stabilization Agreement is a contract between two parties involved in a construction project, the owner or managing entity of the project (or several associated projects) and a consortium of labor unions. Through a PLA, the different craft unions working on a construction project come together to create one agreement with the owner or managing entity, rather than several agreements being created through a separate negotiation with each union. In fact, all contractors and subcontractors involved in the project or projects covered by the PLA need to sign on to the PLA and then are bound by the requirements of the contract. Because all workers on a project are bound by one agreement, PLAs or PSAs have the ability to streamline the negotiation process and increase efficiency through a set of standardized expectations, logistics, wages and benefits, policies, and processes for the negotiation of labor issues.

PLAs or PSAs have been used on a variety of projects and involve a variety of policies and goals. PLAs have been employed in publicly as well as privately funded projects, as well as construction projects that are large, small, urban, rural, technical or standard. All PLAs are negotiated between the owners and the consortium of unions, so that common interests will be addressed. Therefore, they all have a “no-strike” clause and an agreed upon arbitration process for disputes that may arise during the length of the contract. In addition, many PLAs include particular policies such as setting goals for local hiring or diversity. These targeted community workforce policies may serve to increase the employment of groups such as women, people of color, or veterans who have been historically underrepresented in construction work. Furthermore, local hire programs set expectations for the percentage of workers on a project who must reside within a particular area near the work site.² When followed, these programs may make union apprenticeship and journey-level programs more accessible to local workers.

In addition to local hiring goals, PLAs may create goals for the number of small business enterprises to be involved in the construction project. A small business enterprise (SBE) in the construction industry may be larger than in other industries because contractors spend much of what they bring in on equipment, materials, and workers, so the profit margin is smaller than for other industries. Thus, a general contractor or heavy construction contractor is considered an SBE if average annual receipts do not total more than \$33.5 million. Similarly, specialty trade contractors may be classified as an SBE if their average annual receipts are limited to \$14 million. Table 1 gives examples of PLAs or PSAs that have agreed upon hiring and SBE goals.

² Workers are considered local when they reside in particular zip codes or some other geographic boundary that has been determined to represent an area close to the work site.

Table 1. Typical workforce requirements of recent PLAs/PSAs in Southern California

Project	% Local Hire	% Apprentices	% Small Business Participation
LAUSD	50%	30% of total workforce 40% of apprentices 1 st year apprentices	25%
Los Angeles Community College District	30%	30% of total workforce 50% of apprentices 1 st year apprentices	28% Small, Emerging, Disabled Veteran Business Enterprise
San Diego Unified School District	35% in Targeted Zip Codes 70% Residents of SDUSD Zip Codes 100% Residents of SD County	N/A	40% Small, Emerging, Disabled Veteran Women, Minority-Owned Enterprise

Los Angeles Unified School District PSA Requirements

The Los Angeles Unified School District was chosen as an employer to highlight because it is both the second largest school district in the country and employer in Los Angeles County. A number of ballot measures have provided funding for new building and modernization projects throughout the school district. Indeed, since 2004, 111 new schools have been built and many hundreds of repairs and modernizations have been completed.

In 2003, a five-year extension was granted for the Project Stabilization Agreement negotiated for construction projects contracted by the LAUSD. This PSA created a goal of 25% participation by small businesses. In addition, 50% of workers hired must be from local areas (i.e., living in a zip code that is within the LAUSD’s eight sub-districts). Workers who are not “core workers” for a contractor will be referred through union hiring halls and 30% must be apprentices (40% of these must be first year apprentices). In an effort to achieve the apprentice level worker goals, the LAUSD runs the “We Build” program. This program provides pre-apprenticeship training that feeds into the apprenticeship programs that the LAUSD draws on to satisfy the hiring goals of its PSA. In addition, the “We Build” program provides placement and referral services to construction apprenticeship programs, and actively works with contractors and unions to ensure that local hire goals are being met. The local hire and apprenticeship requirements will help workers who desire to begin a career in construction to find work and on-the-job training on LAUSD projects.

Los Angeles Unified School District – Outcomes

The California Construction Academy (CCA) report looked at how well the LAUSD lived up to its hiring goals as laid out in the PSA. As with the larger CCA report, this Brief will examine hiring starting in May 2003. This date was chosen because it was when the PSA that included the 25% Small Business Participation goal was renewed.³ The LAUSD PSA calls for an outside third-party to monitor adherence to the goals of the PSA. The LAUSD chose to use Parsons Construction, Inc.'s (PCI) data tracking server to assess how well they were meeting their goals.

Small Business Participation

The PSA enacted by the LAUSD called for 25% of businesses involved in construction projects for the school district to be classified as small business. Between 2003 and 2011, the LAUSD spent about \$8.68 billion on construction. Nearly 48% of the businesses receiving construction contracts from the district were small business establishments. Thus, the LAUSD's use of small businesses in construction projects was almost double its agreed upon goal. Furthermore, 44% of prime contractors that signed on to LAUSD construction projects were small businesses. Finally, even subcontractors working under the LAUSD PSA met the goal of 25% SBE participation.

Table 2. Small Business Participation under LAUSD's Project Stabilization Agreement 2003-2011

Total Construction Contract Awards: \$8,678,876,754.78

Total SBE Contract Awards: \$4,149,527,603.75

SBE Participation Level: 47.8%

*Source: Le, U. (2011, November). Project labor agreements: Pathways to business ownership and workforce development in Los Angeles. Los Angeles: UCLA Labor Center, California Construction Academy.

Table 3. SBE Prime Contractor Participation Under LAUSD's Project Stabilization Agreement 2003-2011

Total Number of Prime Contractors: 496

Total Number of SBE Prime Contractors: 219

SBE Participation Level: 44%

*Source: Le, U. (2011, November). Project labor agreements: Pathways to business ownership and workforce development in Los Angeles. Los Angeles: UCLA Labor Center, California Construction Academy.

Table 4. SBE Subcontractor Participation Under LAUSD's Project Stabilization Agreement 2003-2011

Total Number of Subcontractors: 4,773

Total Number of SBE Prime Contractors: 219

SBE Participation Level: 44%

*Source: Le, U. (2011, November). Project labor agreements: Pathways to business ownership and workforce development in Los Angeles. Los Angeles: UCLA Labor Center, California Construction Academy.

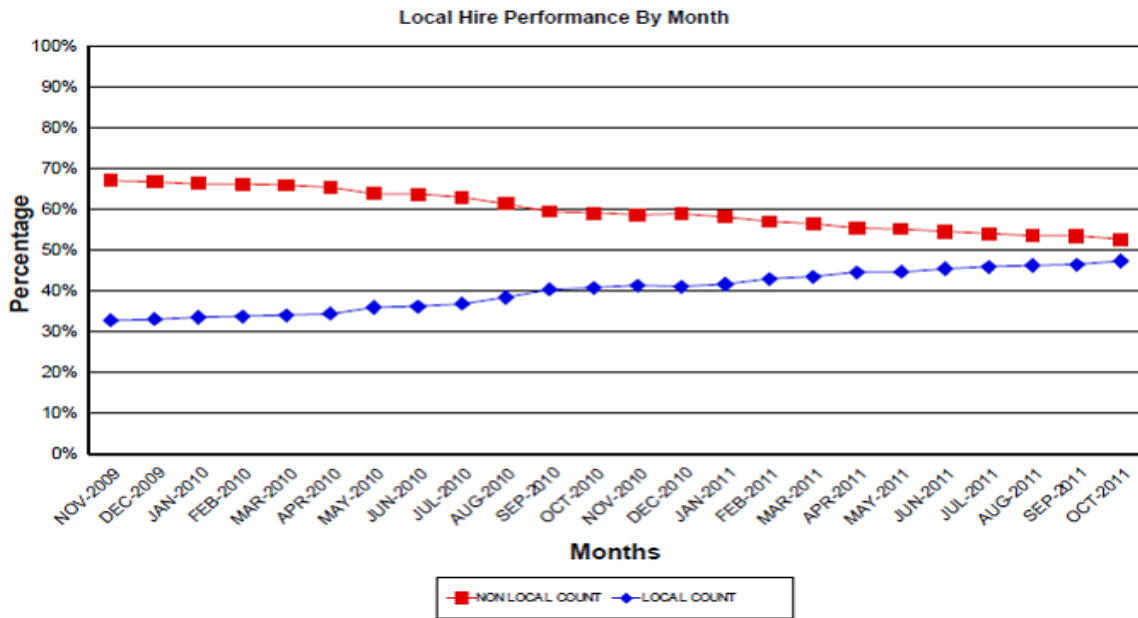
³ The 25% Small Business Participation Goal was first adopted in February 2003.

Local Hire & Apprentices

As noted above, the LAUSD PSA calls for 50% of the individuals hired to work on district construction projects to be from the local area. In addition, 40% of workers should be apprentices and 30% of the apprentices are expected to be first-year apprentices. In order to meet these goals, the LAUSD drew from its “We Build” program. Local residents can enter “We Build” program in order to get pre-apprenticeship training. The LAUSD uses the program as a pipeline for hiring local residents as “We Build” then helps participants to find apprenticeship programs that work on LAUSD construction projects. As a result, between July 2004 and August 2011, 41% of the 96,052 people who worked on LAUSD PSA projects were local hires, almost 32% were apprentices, and 41.5% of those apprentices were first-year apprentices. Thus, the LAUSD met its apprentice goals. While the district did not meet its local hire goal of 50%, with 41% of workers on LAUSD PSA projects coming from the local area, the district seems to be on track to achieve its goal. In addition, the local hire percentage for new construction projects (instead of new construction and renovation projects combined) is at 48%, which is very close to LAUSD’s goal of 50%.

Total Number of Workers	96,052	
Percent Local Hire		41%
Total Number Apprentices	30,557	
Percent Apprentices		31.8%
Total Number First-Year Apprentices	12,678	
First-Year Apprentices as a Percent of all Apprentices		41.5%

**Facilities Services Division
Local Hire Performance By ContractNo**
Data as of 10/01/2011, ContractNo = ALL



*Source: Le, U. (2011, November). Project labor agreements: Pathways to business ownership and workforce development in Los Angeles. Los Angeles: UCLA Labor Center, California Construction Academy.

Diversity

While there was no specific diversity goal in the LAUSD PSA, along with the 50% local hire rate, there was an expectation that the workforce should reflect the local population. Between 2004 and 2011, among workers on LAUSD PSA projects, .38% were Native American, 1.45% were Asian/Pacific Islander, 3.8% were African-American/Black, 61.05% were Hispanic, 23.07% were white, 2.28% identified as other, and 7.97% declined to state. In addition .61% of these workers were veterans and 98.52% were male, while only 1.48% were female. It is not possible to make an exact comparison to local population statistics. However, looking at census data⁴ for all people in Los Angeles County in 2010,⁵ the workers on these projects seem to over-represent Hispanics, and particularly under-represent Asian/Pacific Islanders, African-American/Blacks, veterans, and women. These are workers who may continue to benefit from the efforts of the LAUSD to improve the percentage of local workers and “We Build” graduates hired to work on LAUSD PSA construction projects.

⁴ <http://quickfacts.census.gov/qfd/states/06/06037.html>. Accessed December 7, 2011.

⁵ It is important to note that the census data are for 2010, while the LAUSD data span the period from 2004 to 2011. In addition, the census data reported are for all of Los Angeles County, not just the area covered by the Los Angeles Unified School District. Finally, the census data reported are for all people in Los Angeles, not just the workforce.

Summary

The data provided above indicate that the LAUSD met or is on the way to meeting all of the goals laid out in its PSA. One reason for this success was the explicit support of the highest levels of LAUSD leadership. Furthermore, a clear mission was put forth by the Board of Education to improve facilities and decrease overcrowding in schools. The Board was also held accountable by the local communities, and the “We Build” program received support and became a strong partner in LAUSD’s hiring for construction projects. “We Build” and Small Business Program staff ran workshops for LAUSD program and facilities managers to ensure that the leadership of the LAUSD were aware of, and working toward the PSA goals. The LAUSD also ensured that their projects would be extremely well-run and well-managed. Because of this, the district became the “Owner of Choice” for contractors, who then were happy to comply with LAUSD policies in order to get to work with the LAUSD. Finally, the LAUSD hired a third-party monitor to ensure transparency and compliance. The CCA finds that third-party monitors can increase the likelihood of meeting goals. However, there are multiple approaches to PSA program administration and monitoring, so local stakeholders should decide whether an internal administration process or a 3rd party administrator would be successful based on the local context. The LAUSD example demonstrates the importance of committing resources, time, staff, and leadership for successfully implementing a new policy, such as a PLA or PSA.