

# STUDY says new Federal Construction Rules Promote Competition and Efficiency while expanding supply of skilled workers

*Analysis of Port of Seattle Projects offers key insights into potential impact of new Federal Contracting Rules*

LA GRANGE, IL, USA, May 7, 2024 /EINPresswire.com/ -- A first-of-its-kind analysis of construction projects from the Port of Seattle between 2016 and 2023—including airports and seaports—shows that project labor agreements (PLAs) promote competition amongst contractors, control construction costs, and deliver superior workforce development outcomes over projects completed without PLAs. The report was conducted by researchers at [the Illinois Economic Policy Institute \(ILEPI\)](#) and [the Project for Middle Class Renewal \(PMCR\)](#) at the University of Illinois at Urbana-Champaign.

Read the Report, “The Impact of Project Labor Agreements on Competition, Costs, Apprenticeships, and Diversity: Evidence from Port of Seattle Projects.”

<https://illinoisupdate.com/wp-content/uploads/2024/02/ilepi-pmcr-port-of-seattle-pla-study-final.pdf>

Project labor agreements are pre-hire agreements between construction project owners and labor organizations that establish the terms and conditions of employment for skilled craft workers on large infrastructure projects. They have a long history as a de-risking mechanism and



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IMPACT OF PLAs ON COMPETITION, COSTS, WORKFORCE, AND DIVERSITY

Selected Metrics from Port of Seattle Projects, 2016-2023	PLA Projects	Non-PLA Projects	PLA Difference
Bids Per Project	4.3	3.7	+16%
Projects Below Engineer’s Estimates	74%	69%	+5%
Spread: High Bid vs. Low Bid (Award Amount)	27%	47%	-20%
Apprenticeship Utilization Rates	22%	17%	+5%
Projects with 15% or More Hours by Apprentices	80%	57%	+23%
Share of Women Apprentices	13%	10%	+3%
Projects Meeting Women Apprentice Goals	55%	29%	+26%
Share of People of Color Apprentices	37%	35%	+2%
Projects Meeting People of Color Apprentice Goals	85%	69%	+16%

## Impact of PLAs on Competition, Costs, Workforce, And Diversity

SUBSAMPLE OF PORT OF SEATTLE PROJECTS NEAR \$5 MILLION PLA GUIDELINE, 2016–2023

Subsample: 30 Projects Awarded Between \$2,500,000 and \$7,500,000	10 PLA Projects	21 Non-PLA Projects	PLA Difference
Average Project Value (Award Amount)	\$5,514,217	\$3,980,117	+39%
Average Engineer’s Estimate	\$6,859,778	\$4,672,154	+47%
Share Below Engineer’s Estimate	80%	57%	+23%
Average Bids Per Project	4.8	4.1	+16%
Spread: High Bid vs. Low Bid	36%	58%	-22%

## SubSample of Port of Seattle Projects Near \$5 Million PLA Guideline, 2016-2023

construction management tool for both the public and private sectors, ranging from the Tennessee Valley Authority in 1930s to the construction of most modern NFL stadiums today. [In 2022, President Biden signed an Executive Order](#) to require PLAs on federal projects valued at more than \$35 million. Most PLAs include provisions for preventing strikes and lockouts, creating uniform work rules and safety standards, harmonizing schedules between different types of crafts, and addressing skilled labor supply needs.

“As is the case with many policies involving labor standards, there is a great deal of mythology around PLAs and their impact on businesses seeking to compete for bids, on costs borne by project owners and taxpayers, and on the broader workforce supply needs of the construction industry,” said study coauthor and ILEPI Economist Frank Manzo. “With trillions in new infrastructure funding and an Executive Order from President Biden expanding the utilization of PLAs, data from Port of Seattle projects offers a useful comparative analysis that will help communities and policymakers separate myth from fact and maximize the impact of these investments.”

For their analysis, researchers analyzed data from 95 projects and 366 bids between 2016 and 2023, as well as the Port of Seattle’s Apprenticeship and Priority Hire annual reports from 2020 to 2022 (The Port Commission enacted a \$1 million project threshold for implementing specific apprentice hiring goals). All told, 23 of the analyzed projects were covered by PLAs, 72 were not, and the cumulative cost of all projects was just under \$1 billion.

Researchers used industry-standard regression analyses to control for observable factors and identify the direct impact of PLAs—if any—on various project metrics. This process revealed that bid competition was not statistically different on PLA projects relative to non-PLA projects, and that PLAs had no impact on overall construction costs. It did reveal, however, that PLA projects were more likely to be awarded below their engineer’s estimates, had smaller disparities between the winning bid amount and highest bidder, involved more utilization of apprentices, and expanded such opportunities for women and people of color.

“The data makes clear that PLAs ensure a competitive bidding process, control construction costs, and increase the utilization of apprentices,” said study coauthor, University of Illinois Urbana-Champaign Professor, and PMCR Director Dr. Robert Bruno. “These findings are an important contribution to our broader understanding of PLAs because they involve robust analysis of more project bids than any prior comparable study.”

To further explore the question of bid competition and cost impacts associated with PLAs researchers highlighted a subsample of 31 projects where the winning bid was between \$2.5 and \$7.5 million, with \$5 million being the Port’s guideline for PLA coverage. Ten projects in the subsample were covered by PLAs and 21 were not. PLA-covered projects had 16% more bidders and a 22% lower difference between the highest and lowest bids than non-PLA projects. PLA projects were also 23% more likely to cost less than their engineer’s estimates.

“The subsample offers an apples-to-apples comparison of PLA and non-PLA projects and illustrates that PLAs neither undermine bid competition nor inflate costs,” added Manzo. “Indeed, because engineers estimated that the PLA projects would be 47% larger, it is especially striking that the average award came in at 39% more than the non-PLA average. This suggests that PLAs can deliver significant cost efficiencies as a construction management tool.”

Researchers noted that the Port of Seattle data generally corroborated the existing body of peer-reviewed studies on the impact of PLAs, prevailing wages, and trades unions on project costs and bid competition. The vast majority of studies have similarly found no negative impacts on costs or competition, while also revealing that these standards can improve public budgets by increasing incomes and tax contributions from blue-collar construction workers while reducing their reliance on government assistance programs.

As construction employers face a historically tight labor market, the study revealed especially important distinctions between PLA and non-PLA projects on both workforce development and diversity. Specifically, it showed that PLA projects employed significantly higher rates of apprentices. PLA projects had 5% more labor hours worked by apprentices, were 23% more likely to achieve apprenticeship utilization goals, and nearly twice as likely to meet women apprentice goals (55% to 29%). People of color accounted for a larger share of apprentice hours on PLA projects (37%) than on non-PLA projects (35%).

“The Port of Seattle offers concrete evidence that PLAs offer a best-in-class model for replenishing the local supply of skilled tradespeople, creating construction career pathways for more workers, and expanding construction career opportunities to historically disadvantaged workers,” Bruno concluded. “The data shows that the expansion of project labor agreements could also be the policy tool our construction industry needs to meet the historic demand for services to build, modernize, and repair American infrastructure, energy systems, and domestic manufacturing capabilities.”

The Illinois Economic Policy Institute (ILEPI) is a nonpartisan nonprofit research organization which uses advanced statistics and the latest forecasting models to promote economic growth for businesses and working families in Illinois and across the nation.

The Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign investigates the working conditions of workers in today's economy to elevate public discourse aimed at reducing poverty, create more stable forms of employment, and promote middle-class jobs.

Todd Stenhouse

ILEPI

+1 916-397-1131

toddstenhouse@gmail.com

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