



San Diego Unified School District

PHYSICAL PLANT OPERATIONS CENTER ANNEX, ROOM 2
4860 Ruffner Street, San Diego, CA 92111-1522

ICOC Prop. S
March 25, 2009 Handout 10
Attachment 3

(858) 637-3515
Cell: (619) 203-1760
Fax: (858) 573-5856
smarkey@sandi.net

Stuart B. Markey
Executive Director
Capital Improvement Bond Program

PSA FAQs

A project stabilization agreement (PSA) is a construction labor agreement between an owner and a regional building trades council representing all the construction craft unions in a given geographical area.

PSAs are agreements that establish uniform terms and conditions for all construction craft employees, as well as all construction contractors on a specific construction project.

Each PSA is specific to one project only. PSAs ensure basic terms and conditions for labor and are established in advance for everyone involved in the project: the public sector employer, contractors and subcontractors, and the labor force.

Under a PSA, contractors make exact bids. Costs are established for labor which include wages and benefits including health insurance, and workers' compensation.

A typical PSA includes no-strike, no lock-out agreements and for an additional headache relief includes procedures for settling any problems or disputes that might develop during the project.

PSAs do not restrict bidding solely to union contractors. A PSA is available to any contractor who will accept its terms. It's the contractor's decision.

PSAs have been used for more than 60 years and supersedes all other collective bargaining agreements and may include diversity requirements. They also help to ensure that safety guidelines on the job site are enforced.

PSAs may or may not reduce the pool of qualified bidders for a project. There are studies that support both arguments. Bidding is open to all contractors, and employment is open to all construction craft workers. PSAs can be beneficial to nonunion construction craft workers, as they are afforded an opportunity to work on some projects in which they may not have had the opportunity without a PSA.

There are few studies that are not biased for or against PSAs.

Opponents of PSAs argue:

- (a) that PSA agreements raise the cost of undertaking projects, and
- (b) that nonunion or open shop contractors are discouraged from bidding on jobs that have PSAs. Opponents cite the PSA requirements that all employees must be hired in union halls, pay union dues, contribute to union-sponsored retirement PSAs, and follow union work rules.

They argue that the use of a union hiring hall can force the contractors to hire union workers over their own work force. The contractors and their employees are required to pay union wages, dues and contributions into union benefit PSAs even if they are covered by their own PSAs. The work rules restrict the contractors from using their own more flexible operating rules and procedures.

It is worth noting that whether or not a PSA is in effect, all contractors must adhere to any “prevailing wage” rules that may be in effect. Furthermore, open-shop contractors contend that their competitive advantages are nullified by the PSA. Opponents claim that the result is that in practice, if not in principle, they are unable to bid competitively on jobs that have a PSA requirement. Opponents claim the absence of open-shop bidders for PSA projects results in fewer bidders for the project, and with fewer bidders, the lowest bids come in higher than if open-shop contractors had participated. Opponents claim therefore that the cost of the project will be higher, with fewer bidders attempting to under-bid each other for contracts.

Proponents of PSAs claim that the agreements provide for work conditions that are harmonious, and that they guarantee wage costs for the life of the contract. They contend that the provisions that prohibit strikes, slowdowns and lockouts keep the project on time and prevent cost overruns due to delays. They argue, furthermore, that the wage stipulations allow firms accurately to estimate labor costs for the life of the project and thus have more accurate bids; and that the union rules allow for a safer work environment, thereby reducing accidents and thus lowering the number of workman’s compensation claims. In this view, workers’ union certifications ensure the quality of the work and save money by avoiding costly mistakes. PSA proponents also argue that union workers have a viable career path in that their health and retirement benefits are provided consistently throughout their careers regardless of employer. Proponents claim that there is substantial evidence that PSAs do not restrict open shops from bidding but to the contrary there are many instances where open shops are more than equitably represented among contract awardees. Proponents claim that PSAs actually save project dollars.