

## **PROJECT LABOR AGREEMENT FACT SHEET**

### **What are Project Labor Agreements?**

A Project Labor Agreement (PLA) is a type of pre-hire agreement designed to facilitate construction projects. Each PLA is negotiated and designed individually – tailored to meet the needs of a specific project or owner/manager. PLAs are pre-negotiated contracts that govern the work rules, pay rates and dispute resolution processes for every worker on the project. The PLA is unique enabling construction companies to bid on jobs with full knowledge of employment costs and an assured supply of skilled labor. The terms and conditions set by the agreement apply to every contractor and subcontractor operating on the project site for the duration of the project. These types of agreements aim to provide a pool of highly-trained skilled workers in each segment of construction. The PLA ensures on-time, on-budget project completion.

### **How do Project Labor Agreements work?**

In a Project Labor Agreement, the basic terms and conditions for the parties are clearly established ahead of time, for everyone involved in the project. Labor costs include wages and benefits, such as health insurance, pensions and paid holidays. Labor groups signatory to the arrangement agree to eliminate their right to withhold services, and contractors and employers agree to no work shutdowns. Jurisdictional labor issues are clearly spelled out so that there are no work assignment disputes arising during the course of the project. Contractors and subcontractors make exact bids which adhere to the terms of the Project Labor Agreement.

### **What are the advantages of using Project Labor Agreements?**

Owners and contractors are guaranteed a pool of highly trained, skilled labor, who agree to the terms of the agreement. PLAs ensure that lost time due to labor disruptions is non-existent, that there will be no surprise cost overruns, and that the completed project will be of the highest quality, thus leading to lower costs and maintenance over the lifetime of the project. PLAs are preferred by many contractors and owners, as well as by workers, because of the stable labor environment they provide. Contractors that use PLAs maintain that on projects, a PLA fosters positive communication channels to address workers' concerns, safety issues, disputes and resolve them quickly, thereby creating continuity and stability of the work force at the job site.

### **Are Project Labor Agreements legal in public sector projects?**

Yes. In 1993, the U.S. Supreme Court ruled 9-0 in its *Boston Harbor* decision that both private and public owners can decide when a construction project should use a PLA. In its ruling, the Court noted that: "To the extent that a private purchaser may choose a contractor based upon that contractor's willingness to enter into a pre-hire agreement, a public entity as *purchaser* should be allowed to do the same." Additionally, the Court ruled that such conditions simply require contractors to make a choice; they may alter their mode of operation to secure the business opportunity at hand, or seek business from purchasers whose perceived needs do not include a project labor agreement.

### **Who constructs the PLA agreement?**

PLAs are drafted by project or construction managers retained by the owner. Construction labor groups have input like all other parties to a PLA. Construction labor groups do not lead or dominate the proceedings.

### **Can non-union contractors or subcontractors bid on projects with PLAs?**

Yes. Non-union contractors can bid on the projects as long as they agree to abide by the wages, benefits and other conditions specified in the PLA contract. In many construction projects, prevailing wage rules dictate wage and benefit conditions. Typically, the PLA is designed for non-union contractors to participate by either using a ratio of union and non-union workers on site or the non-union contractor can use their own key supervisory personnel and union workers on the site. Regardless of how the PLA is constructed using non-union contractors, they don't have to sign a collective bargaining agreement to participate. A bid specification requiring a PLA is like any other legitimate bidding condition, such as a payment bond or performance bond. It is a condition uniformly imposed by a project owner through its construction manager on all bidders to ensure the successful completion of the work. No contractor is excluded from the bidding process unless it excludes itself. On construction projects, the lowest responsible bidder wins the contract.

### **Do PLAs bring value to the community beyond the efficient building of the project?**

Yes. Project owners can design their PLA to address a wide range of local needs. PLAs can make sure that many qualified community construction workers are used through local hire agreements. Many recent PLAs are initiating community outreach efforts, enrolling minorities and women in pre-apprenticeship programs. Schools have additional opportunities to use qualified building trades students to participate in a Michigan School-to-Registered Apprenticeship program. These programs are a first step in the creation of a lifetime career in the construction industry. Because many local workers build the project, the project's payroll stays in the community and contributes to its prosperity.

### **What are the next necessary steps in determining the need for a PLA?**

An economic study might be advisable for public projects to evaluate whether a PLA will facilitate economical project delivery and serve the best interests of the public owner and community. The following items are typical analysis conditions used in an economic study in the determination of using a PLA:

- √ the percentage of union and non-union contractors expected to bid on the project;
- √ an analysis of local collective bargaining agreements to determine their number and diversity;
- √ whether a Project Labor Agreement will result in significant cost savings by harmonizing labor resources;
- √ the likelihood that labor cost overruns or labor disputes will occur on the project and the economic impact that any delays resulting from cost overruns or labor disputes will have on the project or the facilities being improved;
- √ an analysis of the economic benefit the community would receive by using local hire agreements; and

- √ an analysis of the size and likely duration of the project to determine whether a Project Labor Agreement will be beneficial by providing continuity in the terms and conditions that will govern a project through its completion.

If such an analysis is properly conducted considering key advantages of using a PLA the vast majority of these studies conclude that a PLA promotes economical project delivery and serves in the best interest of the public owner and taxpaying public.

### **Conclusion**

Project Labor Agreements are a useful mechanism in any construction project involving a contractor and a range of skilled workers in different trades, by providing a negotiated structure that will maximize efficiency, stability, predictability, and productivity. The purpose of the PLA is to facilitate the completion of the project by getting all the participants to agree to certain ground rules. The PLA can benefit everyone involved: the owner, contractors, workers and the public. With a PLA, there are no overruns on labor costs - they are predictable. That's the point of using one.