

INDUSTRY TALKING POINTS TO OWNERS

Why not to have a Project Labor Agreement on your next construction project!

Recently much to the surprise of many lawyers and the Iowa construction industry, the Iowa Supreme Court upheld a project labor agreement for the Iowa Events Center project in Des Moines, Iowa. A project labor agreement is a document negotiated by the owner, which establishes the rates of pay and term of employment for everyone on the job. The Iowa Events Center PLA adopted many of the terms of the local union contracts and added a few key and costly new terms under the justification of assuring labor peace.

As an owner, if you are approached to sign a PLA, consider these negatives;

1. PLA's violate the construction industry's Manual of Recommended Procedure for Competitive Bidding and the Award of Building Contracts.
2. A PLA will divide the community. A majority of citizens (52%) are opposed to the Iowa Events Center PLA. (According to a Metro poll taken by the Des Moines Register in May of 2002.)
3. The PLA will provide for retroactive pay as the trade off for no-strike terms. This means the labor cost can not be certain and either the owner or the contractor must build in room for the cost of any local settlements during the project;
4. The retroactive pay term seriously limits the negotiation power of local union contractors as their people may be on strike while many union employees work on PLA projects. The results will translate into higher settlements and higher cost for all local projects including PLA projects;
5. The use of arbitration procedures to solve administrative issues and jurisdictional issues between unions will involve the owner in additional cost, delays and potentially back-pay. This differs from most local practices in Iowa;
6. The use of onsite labor-management committees, safety committees and more empowered Stewarts will translate into more delays and cost as job issues are discussed and negotiated;
7. The uncertainty of how the PLA will work, how much delay will be involved because of the new terms and the fear of unidentified delays will cause all bidders and subcontractors to consider a contingency factor which means a higher bid and higher cost to the owner;
8. The limitation on the number of its own employees that a contractor can bring to the project will also deter bidders and the lack of this competition will likely translate into higher costs at taxpayer's expense.
9. The owner will be in a no-win position as it negotiates the PLA and in administering its terms as the union will always be pressuring the owner to get the union preferred results;
10. If the owner is a political entity, the politicians will be under pressure to succumb to the union pressure and ignore the cost to the taxpayer; The pressure on the political leaders will be nonstop and will occur every time there is an arbitration or jurisdictional fight;
11. The owner will not always be aware of local labor issue's history and since their contract is a one time event their conduct will likely negatively affect local contract administration and change the labor market on a long term basis;
12. The current system isn't broke so why reinvent it;

Can there be any doubt that the PLA projects will cost more, will suffer delays and will change the labor environment???