PROJECT LABOR AGREEMENTS

A PLA is a contractually binding agreement negotiated between a construction project owner, developer, and the Building and Trades labor unions. It is a form of pre-hire agreement, negotiated before any employees are hired, and becomes part of the bid specification that all winning contractors must follow. Once negotiated, the PLA remains effective for the duration of the project.

While the language of every PLA is different, PLA's typically guarantee uniform wages, work rules, and benefits across the multiple crafts employed on a project. In addition, PLA's provide grievance procedures for settling disputes, include no-strike and no-lockout provisions, and usually require that workers be hired through local union halls.

PROS AND CONS OF USING A PROJECT LABOR AGREEMENT ON A PUBLIC PROJECT

PROS

1. A PLA provides uniform wages, benefits, overtime pay, hours, working conditions, and work rules
2. It provides contractors with a reliable and uninterrupted supply of qualified workers at predictable costs
3. It ensures that a project will be completed on time and on budget due to the supply of qualified labor and relative ease of project management
4. It ensures no labor strife by prohibiting strikes and lockouts and including binding procedures to resolve labor disputes including jurisdictional disputes
5. It makes large projects easier to manage by placing unions under one contract, rather than dealing with several unions that may have different wage and benefit structures, start times, etc.
6. It may include provisions to recruit and train workers by requiring contractors to participate in recruitment, apprenticeship, and training programs for under-represented groups (i.e. women, minorities, veterans)
7. It may improve worker safety by requiring contractors and workers to comply with project safety rules

CONS

1. A PLA may increase costs by mandating union wages and work rules thereby inhibiting competition
2. It may create barriers to small contractors and their workers
3. It may hinder the use of contractor training programs other than those sponsored by the various building trades

OWNER-CONTROLLED INSURANCE PROGRAMS

An Owner Controlled Insurance Program (OCIP) is an alternative insurance purchasing strategy that consolidates various insurance coverages for contractors engaged in a building or renovation project. Coverages provided by OCIP are workers' compensation, general liability, excess liability and sometimes builder's risk. The owner procures these coverages on behalf of all parties working at the job site rather than having each firm supply its own insurance for the project.

PROS

1. An OCIP can lower insurance costs by lumping coverage into one policy with a broker chosen by the owner who has the incentive to give the owner the best price
2. It eliminates contractor markup on insurance costs
3. It can increase coverage limits ($5 million versus $1-2 million for primary coverage). Coverage may also be broader than that obtained by contractors and subcontractors.
4. The OCIP administrator takes full responsibility for handling claims and safety initiatives
5. It enables coordinated medical treatment for injuries
6. The insured controlling the project is in charge of all claim handling procedures thus eliminating "finger pointing" on covered claims which virtually eliminates claims litigation and project delays
7. It eliminates the need to obtain Certificates of Insurance from contractors involved in a specific project
8. OCIPs can provide coverage for investigation for work-related accidents and injuries, and defenses against claims. This decreases the investigation's legal costs

CONS

1. There is a need to ensure coverage offered through an OCIP is sufficient to replace an existing insurance policy for contractors and subcontractors
2. Owners become responsible for the bid-deduct process, which may require more time and resources
3. Owners may be exposed to a premium increase if labor costs and loss experiences exceed their estimates. However, owners will benefit if claims are less than anticipated through premium rebates
4. OCIPs may discourage bidders because they are unfamiliar with the coverage, are worried about unfair credit calculations for insurance costs, are nervous about uncompensated overhead and are concerned with the loss of their markup costs
5. Contractors and subcontractors must have their broker or attorney review the OCIP policy thoroughly to avoid gaps in coverage
6. Since an OCIP serves as total coverage, contractors and subcontractors cannot profit from insurance-related administrative cost markups.