

# Government-Mandated Project Labor Agreements



## OVERVIEW

Anti-competitive and costly government-mandated project labor agreements (PLAs) are special-interest schemes that end open, fair and competitive bidding on contracts to build taxpayer-funded construction projects. Government-mandated PLAs discourage merit shop contractors from bidding on taxpayer-funded construction contracts and drive up costs between 12 percent and 18 percent, which results in fewer infrastructure improvements and reduced construction industry job creation.

## BACKGROUND

A PLA is a project-specific collective bargaining agreement with multiple unions that is unique to the construction industry. PLAs were established in the early 20<sup>th</sup> century—when a significant percentage of the private construction workforce was unionized—to help rivaling trade unions work together. In modern construction, government-mandated PLAs are nothing more than a market recovery program for unions after a steady decline in membership and work won by unionized contractors.

The National Labor Relations Act permits construction employers to execute a PLA voluntarily, but when a PLA is mandated by a government agency, construction contracts can be awarded only to contractors and subcontractors that agree to the terms and conditions of the PLA.

Though all contractors are technically free to bid on construction contracts subject to government-mandated PLAs, the terms of a PLA typically force contractors to recognize unions as the representatives of their employees on a job; use the union hiring hall to obtain workers; hire apprentices exclusively through union apprenticeship programs; pay fringe benefits into union-managed benefits and multi-employer pension programs; and obey the unions' restrictive and inefficient work rules and job classifications.

In February 2009, President Obama issued Executive Order 13502, which strongly encourages federal agencies to require PLAs on a case-by-case basis on federal construction projects exceeding \$25 million in total cost.

The Obama administration also repealed former President George W. Bush's Executive Orders 13202 and 13208, which maintained government neutrality in federal contracting from 2001 to 2009 by prohibiting the government from requiring contractors to execute a government-mandated PLA as a condition of winning federal or federally-assisted contracts.

In response, 20 states have enacted legislation or executive orders restricting PLA requirements and preferences on state and local projects since 2011, ensuring government neutrality. Currently, 22 states have measures that increase competition and guarantee fair treatment of all contractors and their employees on taxpayer-funded construction projects.

## IMPACT

PLAs force employees to pay union dues, accept unwanted union representation and forfeit benefits earned during the life of a PLA project unless they join a union and become vested in union benefits plans.

PLAs harm local workers. Though PLA proponents claim PLAs ensure the use of local workers, they fail to mention that nearly all PLAs require contractors to get most or all of their workers from union hiring halls, where dispatch rules prioritize non-local union workers ahead of local nonunion workers.

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Contracts subject to government-mandated PLAs are special-interest handouts designed to increase union membership and funnel work to favored unionized contractors and their unionized workforces, which represents just 13.9 percent of the U.S. private construction workforce, according to 2017 Bureau of Labor Statistics data. In other words, PLA requirements discriminate against eight out of 10 U.S. construction workers.

This discrimination is particularly harmful to veterans, minorities, and women construction workers not affiliated with unions, and small businesses and qualified contractors hurt by anti-competitive and costly PLA mandates.

By mandating PLA requirements on publically-funded projects, the government effectively stifles competition and prevents taxpayers from getting the best product at the best possible price.

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