

Project Labor Agreements: An Owner's Tool For Controlling Construction Costs

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What is a Project Labor Agreement?

A Project Labor Agreement (PLA) is a comprehensive agreement between an owner (or an owner's constructor) and the various trades on a single construction project or across multiple projects. Instead of contending with multiple agreements with the different trades that will provide labor and services on a project, the owner has the benefit of a single agreement governing all of the work place rules for all of the trades on the entire project. In other words, as Professor Fred Kotler of Cornell University has noted, a PLA is a sort of "job site constitution" for controlling construction costs and increasing productivity.

How have PLAs been used in New York?

The New York City area has a significant history with PLAs that encompasses public and private as well as large and small projects. One of the most well known of these New York City area PLAs is the 2009 Economic Recovery Project Labor Agreement (ERPLA). The ERPLA was not a traditional PLA negotiated by a single owner for use on a specific project or even a group of projects. Rather, the ERPLA was a template PLA that could be applied to multiple projects throughout New York City designed to save construction jobs and private sector projects after the 2008-2009 recession. As of 2011, approximately 73 projects received approval to be included in the ERPLA, including many well-known projects such as the World Trade Center. In total, according to the Building Trades Employers Association, the ERPLA created over \$8 billion of savings and produced 25,000 construction jobs.

Broad Market Applications, Regardless of Project Size

While PLAs have been used on large, public works projects such as the Tappan Zee Bridge replacement, PLAs can and do play an important role on projects of all types and sizes throughout the metropolitan New York City area. According to Professor Kotler, through the ERPLA, PLAs have been applied to projects with values exceeding \$1 billion as well as to projects with a value of less than \$10 million. Similarly, PLAs have been applied to private construction projects as well as to projects outside of New York City throughout upstate New York and New Jersey.

Do PLAs Really Save Money?

Although PLAs are not suited for every project, under the right circumstances, with the right preparation, by adopting PLAs, owners have often achieved greater cost savings than would likely otherwise have been achieved through traditional methods of contract-

ing individually with each trade.

In addition to offering savings on direct labor costs, PLAs have other benefits that are more difficult to quantify but may, in the end, prove more important to owners and contractors. Chief among these benefits is the "no-strike/no lockout, no slowdown or disruption clause." As Professor Kotler has noted, "PLAs provide job stability and productivity by banning strikes and by including a common contract expiration date that replaces the expiration dates of the various craft agreements." By avoiding these delays, an owner can likely reap savings through increased productivity while at the same time averting significant and potentially costly risks such as litigation.

A Creative Tool for Cost Savings

PLAs are a creative tool for owners to consider as they examine the labor and trade requirements of a project. Given their long history of use on public and private projects of varying sizes in the New York City area, PLAs can provide owners with significant savings through a reduction in direct labor costs. Indeed, efficiencies may be created both in direct labor costs and indirect schedule savings. Additionally, through the use of no-strike provisions, PLAs can provide owners with a measure of labor stability resulting in greater efficiency and productivity on their projects.

As you get ready to build, consider the potential of a PLA for your project. It's a tool with formidable power to reduce and control costs when its provisions are appropriately structured and applied.

About Zetlin & De Chiara's PLA Practice

Zetlin & De Chiara LLP has built a reputation as a leader in all construction-related matters, including streamlining the construction contract process for owners through comprehensive PLAs. By keeping the owner's interests at the forefront of its PLA strategies, Zetlin & De Chiara has played a fundamental role in many of New York's largest, most successful construction projects. To view the firm's recent industry discussion paper on PLAs, visit www.sackscom.com/zetlin/pla.

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