

## Advocacy Urges FAR Council to Re-Evaluate Compliance Costs for Small Construction Companies in the Proposed Mandatory Project Labor Agreement Regulation

On August 19, 2022, the FAR Council published a proposed regulation that would make it mandatory for agencies to have Project Labor Agreements (PLA) for federal construction contracts valued at \$35 million or more. This mandatory PLA would flow down to all subcontractors of the prime contractor, including all small business construction contractors. The PLA will require all construction contractors to join a union for the duration of their contract.

On October 18, 2022, the Office of Advocacy (Advocacy) submitted comments to the FAR Council on the proposed rule and its potential negative impact on small construction contractors. Advocacy's letter provided the FAR Council with three recommendations that would lessen the cost of compliance on small construction contractors.

1. The rule's estimate of two affected small business subcontractors per \$35 million project is too low. A more accurate estimate will likely reflect a greater negative economic impact on small businesses. The FAR Council should revise the number after taking comment from small businesses and industry organizations.
2. The FAR Council should consider modifying this proposed rule because of the diminishing cost-benefit to small firms. If a proper cost-benefit analysis had been performed for this rule, it may have shown that a small firm that has only a few contracts per year will absorb a higher cost of compliance than a firm with multiple yearly contracts.
3. The FAR Council should consider a requirement that a small business does not have to join a union if it agrees to pay the prevailing wages and other benefits established in union negotiation. The removal of this mandatory requirement would allow the federal government to achieve its objective with the PLA but at less cost to the small business.
4. Advocacy recommends that the contracting agency make resources available to the small contractors in case of a dispute with the prime contractor.
5. The FAR Council should carefully examine which industries are construction and exempt those that are not directly involved in the construction industry.

For more information, visit Advocacy's web page at [advocacy.sba.gov](https://advocacy.sba.gov) or contact Major Clark at [major.clark@sba.gov](mailto:major.clark@sba.gov).

