



Labor Relations Best Practices

FROM THE NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION

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Setting Up a Labor Management Cooperation Committee (LMCC)

A Labor-Management Cooperation Committee (LMCC) is a valuable tool for fostering collaboration between labor and management, improving industry conditions, and increasing market share. To ensure an LMCC is effective, sustainable, and compliant with legal requirements, it is essential to adhere to best practices.

Establish a Clear Purpose and Governance Structure

A well-defined mission and governance framework are fundamental to an LMCC's success. Establishing a clear structure enhances efficiency, ensures accountability, and promotes transparency. Key practices include:

- Define the LMCC's mission, objectives, specifying areas of focus such as workforce training, industry marketing and safety initiatives.
- Use Category 1 Language for Local LMCC in the Collective Bargaining Agreement to ensure consistency and compliance with industry standards. Ensure equal representation from both labor and management to promote balanced decision-making and avoid dominance by either party.
- Develop comprehensive governance policies, including bylaws, meeting schedules, voting procedures, and financial oversight.
- Select an appropriate legal structure, such as a 501(c)(5) labor organization for worker-focused initiatives or 501(c)(6) business league for broader industry development. The correct classification maximizes funding opportunities and ensures compliance with IRS non-profit regulations. Operating without tax exempt status could subject income to taxation.

Maintain Compliance with Legal and Tax Requirements

Ensuring compliance with IRS and Department of Labor (DOL) regulations is crucial to the longevity of an LMCC. Best practices include:

- Register the LMCC appropriately (e.g., as a trust, nonprofit corporation, or other similar structure) to formalize its operations.
- Consult with legal and accounting professionals to confirm eligibility for tax-exempt status and compliance with financial regulations.
- Utilize funds in accordance with the LMCC's exempt purpose to avoid Unrelated Business Income Tax (UBIT). Income generated outside of the primary mission may be subject to taxation.
- Conduct annual financial audits and file required tax returns such as IRS Form 990 to maintain transparency and prevent compliance issues.

Implement Strong Financial Oversight

A well-managed financial strategy is essential to sustaining LMCC's initiatives. Financial oversight best practices include:

- Develop a budgeting and expenditure plan that aligns with LMCC goals.
- Establish and adhere to an investment policy for sustainable fund management if funds are invested.
- Ensure financial transparency by providing regular reporting to labor and management representatives.
- Implement stringent internal controls to safeguard LMCC funds and prevent financial misappropriation.
- Speak with your Chapter's insurance advisor on coverage options for the LMCC

Avoid Common Pitfalls

To maintain integrity and compliance, LMCCs should proactively address and mitigate common challenges:

- Conflicts of Interest: Adopt and enforce a conflict-of-interest policy to ensure impartial decision-making.
- Unrelated Business Activities: Avoid engaging in for-profit business operations that could jeopardize tax-exempt status.
- Regulatory Compliance Issues: Work with legal and tax professionals to ensure ongoing compliance.
- Lack of Defined Goal: Establish clear, measurable goals and benchmarks to evaluate the LMCC's impact and effectiveness.

Leverage the LMCC for Industry Growth

To maximize its impact, an LMCC should focus on industry-enhancing initiatives:

- Marketing & Outreach: Fund joint branding and public awareness campaigns to expand market share and visibility.
- Training & Apprenticeship Support: Provide supplemental support for workforce development programs without directly offering benefits that trigger ERISA compliance.
- Industry Advocacy: Use the LMCC to coordinate labor-management efforts on policy and regulatory issues.
- Innovation & Best Practices Sharing: Foster a culture of continuous improvement by identifying and sharing best practices that enhance productivity and labor-management relations.

Conduct Periodic Evaluations

Ongoing evaluation and adaptation are critical to the LMCCs. Best practices include:

- Regularly assess the LMCC's impact, effectiveness and financial health to ensure alignment with industry needs.
- Engage in strategic planning to adjust initiatives based on economic trends, technological advancements, and labor-management needs.
- Engage professional advisors for audits, compliance checks, and strategic planning to maintain accountability and prevent regulatory issues.
- Encourage stakeholder feedback to refine LMCC strategies and enhance collaborative efforts.

By adhering to these best practices, LMCCs can remain effective, compliant, and beneficial to both labor and management in the electrical construction industry.

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