

EXPLORING TARGETED HIRE

An Assessment of Best Practices
in the Construction Industry

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EXECUTIVE SUMMARY

Public construction projects are an expenditure of public tax dollars; as such, public agencies have an opportunity to develop policies for public construction projects to benefit taxpayers with employment and business opportunities. Targeted hire initiatives create institutional mechanisms to increase the participation of socially and economically disadvantaged workers and businesses in public construction projects based on work availability. Many public agencies have used targeted hire to leverage their investment in construction into good jobs for those who need an economic boost. For communities that experience historic disinvestment and chronic un- and underemployment, such work can create lasting stability for families and a pathway to revitalize the local economy.

To better understand the different targeted hire options available to municipalities, the City of Seattle Department of Finance and Administrative Services (FAS) commissioned the University of California, Los Angeles Labor Center to conduct a comparative study of targeted hire initiatives to determine their efficacy and examine the experiences of public agencies in developing and implementing them. The analysis is based on 14 in-depth case studies of project labor agreements and ordinances, as well as a scan of 20 examples of other targeted hire initiatives.

Types of Targeted Hire Tools

Each targeted hire program is unique, reflecting the specific needs of the different stakeholders involved. Public agencies can choose from an assortment of targeted hire tools to develop an initiative that works best for their projects. They can use contractual tools such as community benefits agreements, project labor agreements, and contract provisions, or institutional structures such as executive orders, resolutions, and ordinances. Another option is to set criteria through responsible contractor standards that contractors must meet in order to bid on public works projects. Lastly, public agencies can choose to leave hiring to the free market and not impose any specific requirement. This allows labor supply and demand trends to dictate employment outcomes. Targeted hire approaches can also be implemented through a combination of policy tools. **Figure 1** provides a brief description of each of the approaches, as well as an overview of their advantages and challenges.

Figure 1: Targeted Hire Approaches at a Glance

Mechanism	Description	Advantages	Challenges
Community Benefits Agreement	A community benefits agreement is a legally-binding contract between a broad community coalition and a developer in which community members pledge support for a development in return for community benefits such as targeted hire, living wage jobs, or affordable housing.	<ul style="list-style-type: none"> • High level of community involvement. • Can have multiple stakeholders responsible for ensuring compliance. • Can include PLA-like provisions to help prevent work stoppages and establish dispute resolution mechanisms. • If modeled like a PLA, can influence union dispatch rules with fewer legal risks. 	<ul style="list-style-type: none"> • Susceptible to coalition politics. • Can be highly localized, limiting its impact. • Requires community coalitions to have financial resources to hire attorneys and experts to assist in the negotiation process.
Contract Provisions	Public agencies or project owners can adopt individual contract specifications or provisions within the contract language that include targeted hire criteria.	<ul style="list-style-type: none"> • Allows tailored boilerplate language. • Contractors are familiar with contract language. • Non-compliance can constitute breach. 	<ul style="list-style-type: none"> • Can be labor intensive and less predictable, as they are individually negotiated each time and only last during the life of the contract.
Executive Order	The Mayor can issue an executive order directing targeted hire goals for public works or funding training programs.	<ul style="list-style-type: none"> • Simple and fast. • Can influence policy direction of City Council. • Can speed up the process of receiving federal funding. 	<ul style="list-style-type: none"> • Can easily be overturned, modified or eliminated at any point. • Prone to politics - future administrations or change in political will can render the order meaningless. • Additional mechanisms needed to implement policy goals. • Can be difficult to enforce and monitor. • Can forego a stakeholder engagement process.

Mechanism	Description	Advantages	Challenges
Free Market	This option allows free market forces to direct hiring. Municipalities can elect not to impose any targeted hire policy or procedures and assume that supply and demand conditions will bring in targeted workers.	<ul style="list-style-type: none"> • Requires no additional action from public agency. • Firms can freely compete for contracts. • Does not interfere with hiring practices in place that have already benefited a number of women, people of color and other disadvantaged communities. 	<ul style="list-style-type: none"> • Does not ensure recruitment of targeted workforce. • Does not have monitoring tools and would not require data collection on workforce. • Lacks compliance measures if hiring of targeted workers decreases or remains stagnant.
Ordinance	Municipality can pass an ordinance that creates targeted hire requirements for public works contracts, establishing goals or requirements for hire and placement of disadvantaged workers onto the projects.	<ul style="list-style-type: none"> • Gives municipality direct management of job inclusion/ placement onto its construction contracts. • It is durable and can endure changes in leadership. • Provides uniform criteria that are clear, transparent and consistent. 	<ul style="list-style-type: none"> • May conflict with the union hiring hall dispatch system. • Their broad reach can also be a disadvantage, as it is difficult for a general ordinance to address the particular opportunities and constraints of individual developments and projects. • Very susceptible to legal challenges. • May require investment into administration of new programs.
Project Labor Agreements with Community Workforce Provisions	The project owner and labor unions negotiate a project labor agreement with community workforce provisions that include targeted hire and WMBE goals and exemptions that minimize the impact of a PLA on a WMBE or small firm. A PLA can be signed for a single or multiple projects, or can be agency or citywide.	<ul style="list-style-type: none"> • Can directly influence all hiring by labor union dispatch halls with less legal risk. • Offers increased control and coordination of different contractors and unions in large projects. • Encourages labor peace. • Offers a dispute resolution mechanism. 	<ul style="list-style-type: none"> • Subject to the limitations of labor union national agreements. • May potentially increase barriers to small and WMBE firms to access public works projects. • May discourage participation of open-shop firms and workers. • May require investment into administration of new programs.
Resolution	A municipal resolution is a formal version of a motion, adopted in written form that generally states a formal expression of an opinion, intent or policy.	<ul style="list-style-type: none"> • Signals strong government support. • Opportunity for public comment and fact-finding. • Low risk because it lacks the force of law. 	<ul style="list-style-type: none"> • No formalized enforcement structure. • Best for narrow issues with limited impact and short-term solutions.
Responsible Contractor Standards	Government can issue a standard, policy or ordinance that includes criteria that contractors must follow. Standards can include targeted hire provisions.	<ul style="list-style-type: none"> • Contractors are already familiar with these tools. • Gives contractors flexibility on how to achieve goals. 	<ul style="list-style-type: none"> • Difficult to enforce past the bidding and awarding phase. • Monitoring dependent on compliance support and resources.

Best Practices of Targeted Hire

A targeted hire initiative, in itself, is not a guarantee that targeted hire goals will be met. Its success is largely dependent on design and implementation. Based on our analysis, we identified a set of best practices common among successful targeted hire initiatives across the U.S.:

- 1. Engage all stakeholders and facilitate collaboration:** A targeted hire initiative can bring unlikely allies into a new political relationship based on a shared agenda. Public agencies, unions, community-based organizations, training providers, and contractors must recognize the need for effective cooperation, communication and relationship building. A targeted hire initiative should adopt a broad strategy for stakeholder engagement and ensure that all parties commit to working together to achieve successful outcomes.
- 2. Create inclusive, equitable and realistic targeted hire goals that can be clearly communicated and measured:** A strong targeted hire initiative sets concrete goals that are strategic, politically feasible, legally defensible and measurable. Goals should impact the broadest possible range of disadvantaged and underrepresented community members; be responsive to the context and stakeholder needs; and be clearly defined in the policy's language.
- 3. Educate stakeholders and communicate goals:** Once a targeted hire program is designed, it is important to educate all stakeholders on the initiatives' goals and steps needed for its implementation, ensuring that all parties fully understand their roles and responsibilities.
- 4. Develop a strong system for contractor engagement and promote women- and minority-owned business (WMBE) participation:** A targeted hire initiative should consider the impact on contractors, particularly women- and minority-owned firms. It should anticipate needs and address barriers through programmatic support such as technical assistance and mentorship opportunities, and by promoting collaboration between large, small and WMBE contractors.
- 5. Create partnerships and secure funding to identify and recruit targeted workers:** A targeted hire initiative requires public agencies, contractors and other stakeholders to partner with community organizations, unions, and workforce development providers to reach and recruit new targeted workers. The initiative should allocate funding for targeted outreach and recruitment and for programs that adequately equip candidates with the necessary tools and skills.
- 6. Invest in pre-apprenticeship programs:** Pre-apprenticeship programs are key components of a targeted hire initiative, because they prepare new workers, particularly low-income individuals, women, and people of color, to enter the construction trades. A targeted hire program should dedicate funding for these pre-apprenticeships, promote collaboration with other industry partners, and facilitate the connection to registered apprenticeship programs through preferred or direct entry agreements.

7. **Support registered apprenticeship programs:** To ensure that training and employment opportunities are available to new workers, a targeted hire initiative should require contractors to engage with registered apprenticeships and include apprentice utilization goals. It should also support second- through fifth-year apprentices (and not just first-year placement) through program incentives and support services to ensure greater rates of apprentice completion and retention rates.
8. **Support job placement and worker retention:** It is important to improve the connection between training programs and employers by developing a well-defined referral system. This system would provide proper monitoring and oversight to place apprentices and journey-level workers into construction jobsites. The targeted hire initiative should include guidelines for monitoring workforce retention rates to ensure that workers are getting consistent employment and placements, while also improving jobsite conditions, through avenues such as cultural competency training, to increase worker retention.
9. **Create, staff and fund a robust and active compliance system:** A targeted hire initiative needs a robust compliance system with “teeth”; meaning that it has a system of clear workforce goals, strategies and expected outcomes that is connected to active monitoring, transparency, and consequences when there is a breach. It should include a multi-stakeholder advisory body, penalties and incentives, and dedicated funding, staffing and active compliance systems.

The potential impact of a targeted hire initiative is broad. It garners public support for projects; encourages working with new partners; has the potential to recruit more disadvantaged workers; creates workforce tracking and other compliance systems; and develops solutions to bidding and employment barriers. These initiatives can be extremely successful when designed and implemented effectively. Yet, concerns exist about the additional burdens that targeted hire initiatives may create. They can drive up construction costs and add complexity to the requirements that contractors must already comply with. This report is designed to provide specific data and information for assessing the advantages and challenges for each of the different targeted hire options and their feasibility in Seattle.

The report is separated into eight chapters. Chapter 1 provides a background on public works construction followed by Chapter 2 with an overview of targeted hire. Chapter 3 offers a detailed analysis of different targeted hire approaches, which are then compared in Chapter 4. Chapter 5 provides an analysis of the impact of targeted hire on women- and minority-owned businesses (WMBE) and Chapter 6 discusses the best practices for developing a targeted hire initiative. Chapter 7 discusses the existing legal framework within the City of Seattle as well as existing workforce development programs, and reviews lessons learned from the Port of Seattle and Sound Transit PLAs. Lastly, Chapter 8 explores the best practices and opportunities for the City of Seattle.