

# LOCAL AND TARGETED HIRING

*“Using our local tax dollars to put people from communities in our city with higher unemployment to work just makes good sense,”*

— Seattle City Councilmember Mike O’Brien.

*“Jobs matter. When Black workers have done well, our communities have done well.”*

— Lola Smallwood Cuevas, chair, L.A. Black Worker Center Coordinating Committee.

## **THE PROBLEM**

Economic recovery is not returning to all communities equally: the unemployment rate for White workers is down to nearly 4 percent nationally, while the unemployment rate for Black workers is more than double that. This disparity in employment is not an anomaly of our current economy, but has been the persistent reality for people of color for decades. Repeated studies show that job seekers of color are far less likely to be hired than their White counterparts, even when equally qualified.<sup>1</sup>

## **THE SOLUTION**

Local and targeting hiring programs require or incentivize businesses that receive public dollars to hire workers from the local community, or from targeted populations in the community. Whether the public resources come via a contract to build a public infrastructure project, a tax break to help a business grow, or redevelopment funds to build a new commercial space, these hiring programs ensure that public resources extend their impact into the communities that would benefit the most from job opportunities.<sup>2</sup> Hiring programs can vary from individual contract provisions to a city-wide ordinance.<sup>3</sup>

Local and targeted hiring programs help job seekers overcome racial discrimination and other barriers to employment by getting businesses to expand their

hiring networks. They also help companies find a steady supply of reliable, local workers. By improving employment outcomes in communities with high unemployment, targeted and local hiring can reduce employment disparities between communities and improve economic growth for a city and region overall.<sup>4</sup>

## **POLICY ISSUES**

The following issues will likely come up when designing a

local or targeted hiring program:

**LOCAL VERSUS TARGETED HIRING:** Local hiring creates hiring preferences for people who live in a specific geographic area, which can be as large as an entire city or county, or as small as specific zip codes or neighborhoods. Targeted hiring refers to hiring preferences based on a range of worker characteristics, such as veteran status, sex, race or ethnicity (where allowed), residency in a low-income neighborhood, having been formerly incarcerated, having a disability, or being long-term unemployed. It may be permissible to rely on certain characteristics, such as race and sex, only in some circumstances.

**FIRST SOURCE:** First source referral systems can strengthen outcomes for local and targeted hiring programs by connecting employers to a pipeline of qualified, local workers. With first source referral programs, employers notify local workforce partners of a job opening. The workforce organization then promptly refers a pool of local or targeted candidates to the employer to interview and hire.

**MANDATORY REQUIREMENTS, GOOD FAITH, AND STATE PREEMPTION:** Many cities have some sort of local hiring preference on the books, but frequently they only state that businesses must make a “good

faith” effort to find and hire local residents. These programs often do not succeed because companies are not required to meet a goal and because there is not a strong system in place to help businesses find local workers.

For years, **San Francisco** had a non-mandatory, “good faith” local hiring standard of 50 percent, which the City’s contractors consistently failed to meet. In 2010, local community organizations advocated for and won a reform that created a mandatory requirement of 20 percent local hire on publicly-funded construction projects, with a 5 percent increase every year until reaching 50 percent in 2017. The law also requires that half of all local hires come from historically disadvantaged communities, and provides specific targets for each construction trade. Collaboration among the many partners, including community-based organizations, the building trades, pre-apprenticeship and other workforce training programs, the City, contractors, and others, has been key to the program’s success.<sup>5</sup> Five years into implementation, the City has met its goal each year, proving that ambitious targets can be met if all parties are brought on board.<sup>6</sup>

Some cities are pre-empted by their states from passing mandatory local or targeted hiring requirements. However, under almost any legal framework, some version of targeted hiring or outreach requirements can be implemented.

**CONSTRUCTION JOBS VS. PERMANENT JOBS.** Because the construction industry offers a path to long-term middle class careers for workers without college degrees, it is often the focus of local and targeted hiring efforts. The complexity of hiring and training systems in the construction industry means that training and employment programs need to be developed and tailored with that industry in mind.

However, non-construction work can also offer excellent opportunities for local and targeted hiring programs. Cities can target jobs with service contractors receiving public contracts, as well as a wide range of permanent jobs in subsidized development projects. When coupled with job quality standards like living wage requirements, these policies can help place local and targeted workers in quality jobs. **East Palo Alto** has a welldeveloped local hiring program for permanent jobs, which has been replicated in numerous community benefits agreements.

**ENFORCEMENT, COMMUNITY INVOLVEMENT, AND FUNDING:** Enforcement is crucial. Best practices in monitoring and enforcement include an oversight committee that meets regularly and includes community partners, regular reporting of progress in meeting the goals of the program, and mechanisms such as fines or clawbacks for businesses that do not comply.

Funding to support job training and placement programs is

also important so that local residents are ready for the jobs that will become available to them. Support for quality pre-apprenticeship programs in the construction industry—with outreach to targeted populations—is essential.

**LOCAL HIRING ON TRANSPORTATION PROJECTS:** Until recently, projects that used federal transportation dollars were not allowed to have local hiring targets. However, after years of advocacy by groups in **Los Angeles** and elsewhere, the U.S. Department of Transportation created a local hiring pilot in 2015 and is proposing a permanent change in its rules to allow for local hiring.<sup>7</sup>

## LANDSCAPE AND RESOURCES

**The Partnership for Working Families and the Community Benefits Law Center** provide resources and promote local and targeted hiring for both construction and permanent jobs nationally. **The Law Offices of Julian Gross** offers good information on the website and can provide legal assistance.

## NOTES

- 1 Bertrand, Marianne, and Sendhil Mullainathan. 2004. “Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination.” *The American Economic Review* 94(4): 991-1013. Devah Pager. 2003. “The Mark of a Criminal Record.” *American Journal of Sociology*, Vol. 108, No 5.
- 2 Kathleen Mulligan-Hansel, *Making Development Work for Local Residents: Local Hire Programs and Implementation Strategies that Serve Low-Income Communities*, The Partnership for Working Families, <http://www.forworkingfamilies.org/sites/pwf/files/publications/0708-MakingDevelopmentWorkForLocalResidents.pdf>.
- 3 UCLA Labor Center, *Exploring Targeted Hire: An Assessment of Best Practices in the Construction Industry*, <http://www.seattle.gov/contracting/docs/labor/Targeted-Hire.pdf>.
- 4 Research shows that eliminating employment disparities between White workers and workers of color would add \$1.3 trillion dollars to the national economy. PolicyLink and the USC Program for Environmental and Regional Equity, *Full Employment for All: The Social and Economic Benefits of Race and Gender Equity in Employment*, [http://www.policylink.org/sites/default/files/Full\\_Employment\\_for\\_All.pdf](http://www.policylink.org/sites/default/files/Full_Employment_for_All.pdf).
- 5 Brightline Defense Project, *Putting Local Hire to Work*, <http://brightlinedefense.org/pic/assets/advocacy/advocacy201203052744a.pdf>
- 6 <http://emeraldcities.org/media/news/san-franciscos-5-year-old-local-hire-policy-a-huge-success>
- 7 U.S. Department of Transportation, “U.S. Transportation Department Proposes Initiatives to Give Local Workers a Boost in Federal Investments,” <https://www.transportation.gov/briefing-room/us-transportation-department-proposes-initiatives-give-local-workers-boost-federal>.

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