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From Stimulus to System: Using the ARRA to Serve Disadvantaged Jobseekers

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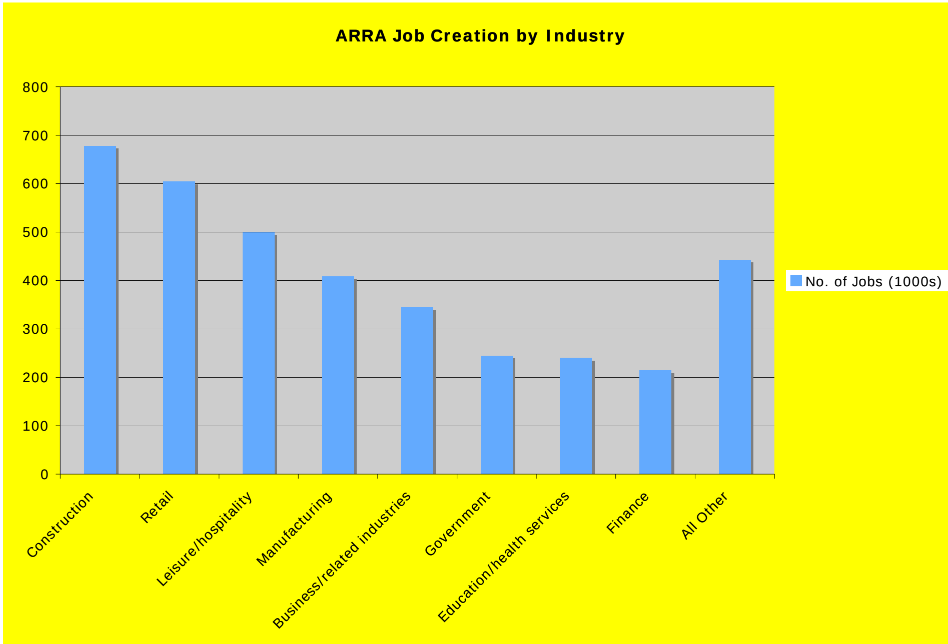
Introduction

Since taking office in January, President Obama and the Democratic-controlled Congress have faced the worst economic crisis in at least a generation, with sluggish credit markets, job losses of nearly 600,000 or more per month and sharply negative overall growth. The federal government responded in February with the American Recovery and Reinvestment Act (ARRA), a $787 billion package of spending initiatives and tax cuts intended to spur demand and staunch job losses that have driven the national unemployment rate over 8 percent for the first time since the early 1980s. Though few anticipate that the ARRA alone will end a recession driven and exacerbated by structural forces, the measure is intended both to provide short-term relief and serve as what the president called a “down payment” on anticipated deeper investments in infrastructure, health care, education and sustainable development among other areas.

The ARRA is expected to create or save approximately 3.7 million jobs, according to White House and Federal Reserve estimates. An analysis conducted by the Georgetown Center on Education and the Workforce (CEW) finds that five industry sectors will account for two-thirds of job creation through ARRA: construction (18 percent), retail and wholesale trade (16 percent), leisure and hospitality (14 percent), manufacturing (11 percent), and business and related industries (9 percent). The next four industries expected to see the most new jobs – government, education, financial activities and other services – collectively account for 24 percent of ARRA-fueled job creation.[1]



Source: analysis by Georgetown Center for Education and the Workforce, March 2009

While the historical precedent of the Works Progress Administration and other New Deal-era programs has colored perceptions of the ARRA, CEW research suggests that public job creation in 2009 will unfold in a very different manner than did the efforts of 1933 and afterward. Professor Anthony Carnevale, director of the Center on Education and the Workforce at Georgetown University, and colleagues found that despite the ARRA authors' intent to focus job creation toward the lower reaches of the labor market, approximately 54 percent of projected ARRA jobs will require at least some education beyond high school. And even among the minority of positions that do not reach that standard, many jobs will require employer-provided classroom training, on-the-job training and related work experience ranging from a few months to more than four years.[2]

Those who had been worst off before the downturn face additional disadvantages in its wake as public attention turns to newly unemployed individuals of higher profile and greater political heft. The relative dearth of opportunities within the job creation framework of the ARRA for jobseekers who have the least formal education and work experience presents a problem for advocates and policymakers looking to provide assistance. If low-skilled jobseekers are to access ARRA-related job opportunities states and localities will need to make concerted efforts to connect them with training and placement services. This paper explores models and mechanisms for achieving this goal--including community-benefit agreements, job linkage/first source hiring, and goals and standards for job creation and job quality--and for subsequently engaging jobseekers in further skill-building and educational programs.

Community Benefits Agreements

A Community Benefits Agreement (CBA) is a legally enforceable contract signed by developers and communities to ensure that residents of a community derive benefits, typically economic, social, and environmental, from development projects. Among the most common CBA provisions are access to job training programs and jobs, living wage requirements, affordable housing creation, and environmental benefits such as new parks and high-performance buildings.

While CBAs are most often the result of years of negotiations between developers and community and labor organizations, state and local governments can look to their job-related features –including targeted hiring, wage standards, and access to training –as they disburse ARRA funding. Because an estimated 90 percent of ARRA-fueled job creation will be channeled through the private sector, officials will enjoy considerable leverage to set these conditions when contracting with employers. Considering the educational requirements of most projected ARRA jobs as noted above, officials will need to exert leverage to ensure that lower-income, lower-skilled jobseekers have access to positions they can effectively fill and receive training now for jobs projected to emerge a year or two later as a direct or indirect result of ARRA investments. A strategy that has proven successful in this respect is to provide access to pre-apprenticeship and apprenticeship programs in construction and other fields. Those who complete apprenticeships emerge as union members with guaranteed wages and benefits that typically support a middle-class lifestyle. Often, CBAs also seek to redress the historic underrepresentation of women and minorities in the unionized construction sector: as of 2005, women comprised just 2.6 percent of production workers in the construction field, while a 2008 study of 25 U.S. metropolitan areas found that African Americans held construction jobs at a lower rate than their overall participation in the local workforce.[3]

One CBA that included the sort of provisions appropriate for ARRA-funded project arrangements was the 2004 agreement between a broad coalition of labor unions and community-based organizations and the government agency that operates Los Angeles International Airport (LAX). This CBA addressed LAX's $11 billion modernization plan and the projected 20,000 construction jobs and 5,000 permanent airport jobs associated with it. In addition to local environmental, health, and education benefits, the LAX CBA included: $15 million ($3 million per year for five years, beginning in fiscal year 2005-2006) for airport and aviation-related jobs training as well as pre-apprenticeship programs;[4] a targeted hiring program to ensure that local residents, low-wage workers, and other disadvantaged populations had access to jobs; a living wage provision covering LAX employees and employees of airport contractors; increased opportunities for local, minority, and women-owned businesses in the LAX modernization effort; and (through an associated project labor agreement) prevailing wage for construction jobs, and card-check neutrality for most security and concourse workers.[5]

Another CBA example relevant to prospective ARRA projects is the Gates Rubber Site in Denver, Colorado. In 2005, the city of Denver committed $126 million over 25 years to help finance development of an abandoned 50-plus acre brownfield in south central Denver, formerly the site of the Gates Rubber Company, into a transit-oriented complex with 2,500 residential units and 2 million square feet of retail space. After three years of negotiations, a coalition of community and labor unions organized by the Front Range Economic Strategy Center (FRESC) signed the project CBA in 2006. In exchange for supporting public financing for the development, FRESC was able to secure job standards agreements, including: a First Source local hiring system to provide local residents access to new jobs, with priority given (via Denver Division of Workforce Development and Mi Casa Resource Center for Women[6]) to those in low-income neighborhoods adjacent to the project site; an agreement to pay prevailing wage and benefits to construction workers engaged in the publicly subsidized construction of the site and related infrastructure (road expansion, sanitation, etc); a commitment to use a "Best Value" contracting system to preference contractors that provide health care and support employee training; and an extension of Denver's Living Wage Ordinance to cover parking lot attendants and security workers at the site's public facilities.

First Source Hiring/Job Linkage

Another tool through which state and local leaders can attach low-skilled jobseekers to work opportunities through ARRA is a First Source Hiring/Job Linkage program. Communities across the .United States have utilized First Source agreements to ensure that community residents and/or individuals in target populations—such as residents of disadvantaged communities, the long-term unemployed, young adults, and individuals transitioning off welfare—are able to access jobs that arise from or are linked to local development projects. These programs most often cover positions in the construction and transportation sectors, but also might include end-use development tied to those projects such as retail and security.

First Source hiring programs can provide that individuals in target populations have access to jobs generated by development, but they do not guarantee that local residents will be qualified for the positions available. The implication for jobs that ARRA funds will support, most directly in the construction trades but also for other industries anticipated to grow under the Act such as building services and hospitality, is that state and local officials should look to ensure that low-skilled job seekers can acquire the training they will need to be hired by the employer, the publicly funded workforce development system, or both entities working in partnership.

Another incentive for public officials and private employers to link disadvantaged jobseekers with ARRA job creation efforts is the potential for worker shortages in the near future particularly in sectors such as transit and construction, where the combination of the physically intensive nature of the work and the seniority system has resulted in large numbers of older workers who are poised to retire within a short period. The Bureau of Labor Statistics estimates that by 2015, nearly 50 percent of construction workers will be 54 or older. Initiatives such as the Road Construction Apprenticeship Readiness (RCAR) program in Michigan are helping disadvantaged jobseekers access work opportunities by recruiting low-income individuals from under-represented groups (including women and minorities) into a workplace preparation and skills training program and providing them a training stipend while also ensuring a steady supply of qualified replacements who can step in as older workers retire.[7] Assessment and training for RCAR is offered through Michigan Works!, the association of workforce agencies and other providers across the state's 25 federal designated workforce areas. The breadth and effectiveness of the association helped make RCAR possible and gave state policymakers confidence that the program would succeed.

Along the same lines, state and local officials can perhaps most directly and effectively target low-skilled jobseekers by recruiting for ARRA-created positions through the existing local workforce development infrastructure. One-Stop Centers, mandated by the federal Workforce Investment Act, typically have a direct presence or referral relationships in high-need communities. For example, Maine has included language in its ARRA Procurement Guide that requires vendors that are awarded Recovery Act funds to post any jobs that it creates or seeks to fill as a result of Recovery Act funding on the Maine Career Center job bank. Maine Department of Labor officials have distributed the procurement guide and information on the job bank to all states agencies and is delivering workshops for partners who have received other ARRA funds such as weatherization grants to encourage the use of the state's job bank and available individuals looking for work. In addition, they have changed the programming on the job bank so that when an employer is registering for the job bank or posting any new jobs they will have to answer a question about if they are receiving any ARRA monies. They hope that this programming change will pick up jobs that they may not have been aware of and it will be part of the state's "counting' effort for jobs created by ARRA funds. For copy of Maine's procurement guide go to: http://www.nga.org//Files/pdf/0309ARRAGUIDE.PDF

With 54 percent of ARRA-created jobs projected to require training beyond a high school diploma, policymakers also will need to ensure that education and training are linked to First Source hiring and job creation efforts. Job linkage programs have proven effective in this respect, emphasizing the hiring of target populations and job training and workforce development services – oftentimes within a sector-specific context – to ensure that individuals from the target population have the skills needed to succeed on the job. At an individual project level, job training linkage agreements are almost always included in First Source Hiring programs. Such integration should be a hallmark of state and local efforts to ensure that low-skilled jobseekers find opportunity through ARRA-funded job creation.

In Minneapolis, city officials have emphasized placement and training for disadvantaged residents through a variety of initiatives, including the Minneapolis Employment and Training Program (METP), the Minneapolis Neighborhood Employment Network (NET), and the Minneapolis Job Linkage program. Established in the 1990s, the Job Linkage program serves businesses that receive financial assistance from city government and enter into agreements—which are voluntary but "encouraged"—with neighborhood-based workforce development service providers. These agreements establish five-year job hiring and retention goals for the business, including strategies for hiring Minneapolis residents and paying wages associated with the City's Living Wage Ordinance. For the most part, providers belong to NET, which also helps facilitate relationships with METP, allowing workers and jobseekers to access training through efforts such as the Construction Careers Coalition and the Building Minnesota apprenticeship program.[8]

One recent example of these programs in action came in 2004, when the city launched an ambitious job linkage program as part of the Midtown Exchange project. This featured a mixed-use development that included a hotel, housing, office space, and a multi-tenant ethnic market operated by a local entrepreneurship development organization. Linkage agreements guided construction jobs, where targets were set and met for employing women and minorities, and end-use hiring at a Sheraton Hotel.

Given the significant overlap between low-skilled, low-income jobseekers and public housing residents, a particular focus for policymakers in communities that include a substantial public housing presence should be to create job training and placement programs based on the principles of Section 3 of the 1968 Housing Act. Section 3 requires "best efforts" of public housing authorities and their contractors and subcontractors to assure that public housing construction and renovation funds are used to maximize job and training opportunities for "low- and very low-income persons."[9]

With $5 billion allocated under the ARRA for weatherization projects, $3 billion for public housing capital funds, and $1 billion for public housing retrofits, the nation's public housing authorities have an unprecedented opportunity to team up with local workforce development agencies and educational institutions to quickly place public housing residents in jobs for which they are qualified, and to train them for opportunities that might open as a more general economic recovery takes hold. For instance, the dismal current hiring climate in the construction industry is likely to draw unionized trades workers into relatively low-paying weatherization work in residential building, as an alternative to complete idleness. But as the volume of new development picks up, experienced tradespeople will migrate to more remunerative work. Many lower-skilled individuals who might not be ready to take weatherization jobs right now would be far better positioned to do so after a year or two of remediation around basic skills, workplace competencies, and training that culminates in certification. Over the longer term, states and communities should seek ways to build in upgrade training for weatherization workers, allowing them to compete for jobs that offer greater compensation and a true career path.

Job Quality Standards

A final tool for state and local officials to use in ensuring that low-skilled jobseekers can access ARRA-generated jobs is setting job quality standards for positions to be created through stimulus spending. As ARRA spending generates new jobs in high-wage and low-wage sectors, policymakers and advocates will need to work together to transform low-wage jobs into good jobs that offer living wages, employer-sponsored benefits, and opportunities for advancement. Otherwise, the goal of linking low-income and unemployed Americans to good jobs will continue to go unmet.

Jurisdictions looking to embrace a broad strategy for improving job quality, including in low-wage sectors, should seek ways to use ARRA resources to support sector-based partnerships that are led by a labor-management intermediary. These initiatives provide value for employers and jobseekers. Participating businesses can bring new hires on board with greater confidence in each worker's skill set and workplace readiness, improving retention rates and lowering costs related to turnover and subsequent recruitment and training. Workers can turn to the intermediary for placement with any of a range of employers, and access additional training as economic conditions and job requirements within the industry change. The intermediary also can help guarantee lower-skilled jobseekers access to jobs in the sector since public and private funders can make this a condition of support.

This model has proven remarkably successful in the hospitality sector, which Georgetown's Center for Education and the Workforce projects will add jobs as a result of ARRA investments. A partnership in Las Vegas between two nonprofits, the Culinary Training Academy and Nevada Partners, led to dramatic job quality improvements in that city's vital hospitality sector. The

Academy, a labor-management partnership between 24 casino and resort employers and two UNITE HERE union locals, helps train and place qualified workers as cooks and guest room cleaning workers. Nevada Partners recruited individuals from low-income communities to supply a stream of new workers for training and placement.[10] Through their partnership, the organizations provide value to employers by offering soft- and hard-skills training as well as a range of support services. In return, workers earn higher wages and are more likely to enjoy benefits. Elsewhere, similarly structured labor/management collaborations have raised job standards in New York City and Philadelphia in the health care sector in San Francisco in the retail sector.

High-quality, sector-based partnerships typically are difficult to quickly ramp up because it takes time to develop a trusting relationship between business interests and groups representing workers and/or communities. And it takes time for the partnership to fully grasp the needs of employers within the industry and how best to align resources around training and support services to meet those needs. The involvement of organized labor often adds another level of complexity—though unions also provide greater expertise and more resources than such partnerships otherwise can access. But state and local officials can employ the carrot of prospective ARRA funding, as well as the stick of dismal economic circumstances, to induce prospective stakeholders to address these challenges in the most expedient manner..

The ARRA includes prevailing wage standards, as set forth in the Davis-Bacon Act, for certain types of workers on projects supported through Recovery Act funds,[11] as well as through various categories of bonds issued after the legislation took effect.[12] Localities can further leverage this concept by establishing Living Wage ordinances as more than 140 localities across the U.S. have done already. In approximately half of these cases, the laws apply only to contractors that do business with local government. Other Living Wage laws are triggered by government subsidies to individual businesses. Because employers in diverse low-wage sectors throughout the country will benefit from ARRA funds, localities could seek to apply wage standards for all ARRA spending.

National living wage models are diverse but provide a roadmap for moving forward. For instance, Minneapolis requires any firm benefiting from $100,000 or more in city assistance in one year to pay its employees a living wage of 130 percent of the federal poverty level (FPL) for a family of four without employer-sponsored health insurance, and 110 percent of the FPL with basic health coverage. Other living wage models apply to geographic zones where businesses are subsidized within cities. All employees in the Marina in Berkeley, California – which is on city-owned land – are paid a minimum of $11.04 an hour with health benefits and $12.87 without benefits. Pairing these standards with targeted hiring initiatives, as is common practice in Minneapolis, represents a potent strategy to engage low-income individuals in job opportunities and ensure that these jobs offer more competitive wages.

Conclusion

The ARRA presents a challenge as well as an opportunity to state and local policymakers. Funds must be spent quickly, but with transparency and accountability. And while the first purpose of the measure is to provide a counter-cyclical stimulus, failure to use the money to achieve transformational results will represent a missed opportunity for low-income and low-skilled individuals whose struggles predate the downturn and whose situations will not necessarily improve when recovery takes hold. A number of the strategies and approaches discussed in this paper represent longer-term strategies for advancing low-skilled workers, but many jurisdictions will have the opportunity to take initial steps simply by identifying community needs that ARRA resources can address, and then determining what roles less-skilled jobseekers can fill in addressing those needs. Making the initial connection is the most important step and often the most difficult..

Leveraging the short-term injection of funds through the stimulus into long-term systems change will require creativity and hands-on management on the part of policymakers. But high-road tools of economic and workforce development are at hand, and state and local officials should use them to advance equity and access within ARRA-funded initiatives.

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[1] Georgetown Center for Education and the Workforce, "Impact of Stimulus Package on Employment Distribution by Industry," March 2009; draft provided to authors

[2] Ibid.

[3] Todd Swanstrom, "The High Road to Greater Inclusion in the Construction Industry: Problems and Prospects," discussion paper prepared for the Annie E. Casey Foundation, March 2009.

[4] Community Benefits Agreement, LAX Master Plan Program. Online at http://communitybenefits.org/downloads/LAX%20Community%20Benefits%20Agreement.pdf

[5] Virginia Parks, Dorian Warren and Margy Waller, "Community Benefits Agreements: Policy for the Twenty-First Century Economy," The Mobility Agenda, December 2008.

[6] The Denver Office of Economic Development (OED) coordinates the implementation of Denver's First Source Hiring Program. The Denver Division of Workforce Development and Mi Casa Resource Center for Women implement the First Source Program by recruiting and linking local jobseekers to employers.

[7] "Granholm Celebrates Successful Worker Training Program," Michigan Department of Energy, Labor and Economic Growth, July 8, 2008.

[8] Minneapolis Department of Community Planning and Economic Development, "Living Wage Ordinance/Business Subsidy Act," online at http://www.ci.minneapolis.mn.us/cped/living_wage.asp; accessed March 29, 2009.

[9] U.S. Department of Housing and Urban Development, Fair Housing & Equal Opportunity Programs, online at http://www.hud.gov/offices/fheo/progdesc/title8.cfm; accessed March 29, 2009.

[10] Maureen Conway, Amy Blair, Steven L. Dawson and Linda Dworak-Munoz, "Sectoral Strategies for Low-Income Workers: Lessons from the Field," Workforce Strategies Initiative, Aspen Institute, Summer 2007.

[11] American Recovery and Reinvestment Act of 2009, p. 189: online at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf

[12] Ibid., p. 248