



Local Hiring Initiatives in San Luis Obispo



PRODUCED FOR THE WORKFORCE DEVELOPMENT BOARD OF SAN LUIS OBISPO COUNTY

JANUARY 2024



Table of Contents

Acknowledgments	3
Executive Summary	3
Objectives of the Report	4
Key Findings	5
SLO County Economic Climate.....	8
Job Quality	8
Demographic Distribution	10
Accessibility	10
A Growing Need for Infrastructure Workers	11
Target Sectors.....	12
Community Involvement and Engagement	13
Overview of Workforce Agreements.....	14
Local Hire	14
Historical Background of Local Hire Efforts	14
Targeted Hire	15
First Source Referral	15
Project Labor Agreements	16
A Survey of Literature on Project Labor Agreements	17
Perspectives on Project Labor Agreements.....	17
Community Workforce Agreements	18
Community Benefits Agreements	18
Connecting Local Hire and Workforce Agreements in SLO County	20
Economic and Fiscal Benefits of Local Hire to SLO County.....	25
Best Practices and Key Considerations.....	26
Conclusion	31
Appendix A: Economic Impact Modeling Methodology and Terminology	33
Appendix B: Works Cited	35

Acknowledgments

BW Research and the Workforce Development Board of San Luis Obispo County (WDBSLO) would like to thank the local business owners, various stakeholders, and association groups for their input and feedback that was instrumental in the crafting of this report.

Executive Summary

This report highlights the opportunity to leverage local hiring initiatives in San Luis Obispo County (“SLO County”) to support economic opportunities within the region. This report was prepared in conjunction with the San Luis Obispo County 2023 State of the Workforce Report, and it expands on the recommendation presented in the 2023 State of the Workforce Report that the county consider adopting local hire efforts to support regional job quality, boost local jobs, and increase local spending and tax revenues, thereby fueling economic growth.

Local hire efforts are part of a suite of “**specified local hiring**” initiatives that increase access to jobs and expand hiring of specified populations of workers including community residents, veterans, union members, women, people of color, youth or young adults, previously incarcerated individuals, LGBTQIA+, some combination of those categories, or other categories not mentioned. Expected increases in regional and local infrastructure investment in the coming decade are more likely to generate recurring positive local economic impact if workforce provisions are integrated into those projects and developments.

Figure 1 provides basic definitions of the primary types of agreements and hiring initiatives discussed in this report, as there are no consensus definitions or organizational taxonomies universally accepted for these workforce initiatives and agreements.^{1 2 3}

¹ Definitions for CBA, CWA, and PLA are as summarized as given in U.S. Department of Labor, “Project Labor Agreement Resource Guide”. <https://www.dol.gov/general/good-jobs/project-labor-agreement-resource-guide>

² Definitions for first source referral program and local hire program are summarized as given in the National Cooperative Highway Research Program’s “Enforceability of Local Hire Preference Programs”, Legal Research Digest 59 (2013), <https://www.apta.com/wp-content/uploads/Resources/gap/fedreg/Documents/Legal%20Research%20Digest%20No.59%20-%20Enforceability%20of%20Local%20Hire%20Preferences%20Programs.pdf>

³ In defining local hire programs, the National Cooperative Highway Research Program references: United Bldg. & Constr. Trades v. Mayor of Camden, 465 U.S. 208, 210, 104 S. Ct. 1020, 1023 (1984); Thomas H. Day, *Hiring Preference*

Why Now?

A wave of transformational investment and activity will drive significant economic changes in SLO County. The scale of this current and future activity means that now is a critical time to consider policy options that can maximize the economic benefit from these investments.

Local hiring initiatives are policy options that can be deployed to help ensure that San Luis Obispo County—and its residents—can capitalize on the opportunities that arise due to regional investments in infrastructure.

Local hiring initiatives support the county’s job quality, boost local employment, increase local spending, and generate incremental tax revenues, fueling economic growth.

FIGURE 1. KEY PROGRAM AND AGREEMENT TYPES



Local hire initiatives may incorporate targeted hire programs, which establish hiring targets for specific underrepresented populations within the defined geographic region, and may incorporate first source referral programs, which require employers to provide first notice of job openings to designated referral centers, and to provide first consideration to applicants referred by those designated referral centers. Project Labor Agreements (PLAs) that incorporate local hire goals are typically referred to as Community Workforce Agreements, or CWAs.

Objectives of the Report

This report provides a high-level overview of the current economic climate in SLO County, with emphasis on specific areas of need and opportunities available to mitigate these challenges. Next, the report

Acts: Has the Supreme Court Rendered them Violations of the Privileges and Immunities Clause?, 54 FORDHAM L. REV. 271, 272 (1985); The Partnership for Working Families, <http://www.forworkingfamilies.org/>, and Community Benefits Legal Dictionary, <http://www.forworkingfamilies.org/cblc/dictionary> (last accessed Feb. 5, 2013)

explores the viability of local hire programs as a tool to promote growth of a diverse and skilled workforce in SLO County. This report quantifies the potential economic and fiscal benefits of local hire programs and presents case studies of local projects incorporating local hire programs before exploring stakeholder perspectives regarding local hire and exploring best practices for local hire agreements.

Key Findings

- (1) SLO County faces issues with respect to its job quality and demographics.** SLO County’s jobs are concentrated in low-wage, low-skill positions that do not contribute as significantly to regional economic growth as compared to higher-paid positions. Furthermore, the county has a U-shaped age distribution, with a higher proportion of residents concentrated at the older (65 years and up) and younger (under 25 years) age groups.
- (2) Hundreds of millions of dollars in state and federal funding are expected to be invested in public works and infrastructure projects in the near future.** These planned investments in transportation and water infrastructure, energy, advanced technologies and manufacturing, and climate mitigation have the potential to bring substantial—and lasting—economic benefits to the region by creating new jobs in Construction.
- (3) Local labor shortages for Construction workers may arise.** According to the Associated Builders and Contractors, nationwide shortages in the Construction workforce may worsen as infrastructure spending is disbursed.⁴ Local labor shortages and declining labor force participation rates in the county may lead to a greater proportion of construction workers being sourced from outside of the county, project delays, or less-trained workers.
- (4) Local hire programs can help address local job quality issues.** Approximately three-quarters (77%) of Construction occupations offer median wages higher than the county median wage, so increasing the share of local Construction workers improves the county’s overall job quality. Moreover, Construction jobs are accessible to a wide range of prospective workers; only 11% of workers in Construction occupations have a four-year degree.
- (5) Local hire requirements can help set a floor and signal to large project developers that local workforces will be required.** One criticism of local hire and other specified-hiring requirements is that they slow or stall a project if employers cannot find enough of the right category of workers or train them fast enough. However, given the region’s already high rates of local work in construction projects, setting a moderate “floor” for local hires should not impact most projects. The benefit of setting a local hire floor is to signal to project developers who otherwise may not hire predominantly local talent—as may be the case in larger scale or

San Luis Obispo County has a large Construction workforce that has historically met much of the region’s Construction demand through local workers. A recent study by the City of San Luis Obispo found that 90% of the work hours performed on their 14 public works construction projects between 2018-2021 were performed by local workers—all without any local hiring requirements. The secondary data supports this finding; there are roughly 7,100 workers in Construction occupations that work in SLO County, which means that these workers are about 32% more concentrated in SLO County than the national average.

⁴ <https://www.abc.org/News-Media/News-Releases/entryid/19777/construction-workforce-shortage-tops-half-a-million-in-2023-says-abc>

more specialized projects—that some portion of a local workforce will be required. These large and specialized projects often have large costs, and likely significant economic impacts on the local economy if local workers are utilized.

- (6) **Local hire requirements can generate significant economic and fiscal impacts.** For every 100 additional Construction workers that live within SLO County, an additional 49 jobs will be created and sustained through supply chain demand and induced⁵ effects. This economic activity can also generate \$525,000 in additional local taxes and \$903,000 in additional state taxes.
- (7) **Workforce agreements incorporating local hire have been successfully implemented in SLO County.** The City of San Luis Obispo Water Resource Recovery Facility successfully implemented a CWA for its \$114 million upgrade project, which incorporated a 30% local hire goal. By February 2022, this goal had been more than eclipsed, as 70% of labor hours had been completed by residents of SLO County or the three surrounding counties (Santa Barbara, Ventura and Monterey). In addition, the South San Luis Obispo County Sanitation District successfully implemented a \$28 million wastewater treatment plant upgrade project, which incorporated a 30% local hire goal. The project achieved a local hiring rate of 59%.

- (8) **Stakeholders have been reluctant to embrace local hire programs due to a lack of information regarding perceived benefits.** Opponents cite perceived issues including potential project delays, increased project costs, and onerous compliance requirements. Proponents cite the importance of disseminating hard data quantifying program benefits to challenge the validity of these perceptions.

- (8) **Intentional policy design and use of best practices can mitigate perceived issues associated with local hire.** Best practices⁶ are important for driving greater access and outcomes in employment opportunities in a community. Reaching workers underrepresented in these positions requires a strategy for outreach, screening, tracking, support, and retention that increases the likelihood of community members securing and staying in these positions.

BEST PRACTICES FOR LOCAL HIRE

1. **Analyze labor supply trends** to inform strategic policy and investment decisions.
2. **Ramp up hiring targets over time** to create space for contractors and community capacity to catch up with need.
3. **Utilize first source referral efforts** to ensure that community members get a first look at available roles.
4. **Provide job readiness and preparation support**, especially to under- and unemployed workers, to address barriers to long-term career success.
5. **Partner with community organizations** to provide outreach, wraparound support, and social services.
6. **Partner with future employers from the start** to ensure that occupational and soft skills training align with need, and that hiring opportunities exist for candidates.

⁵ Economic impacts that are generated as workers spend their new wages throughout the local economy on things like food and dining, entertainment, healthcare, and other locally provided goods and services.

⁶ An outline of best practices deployed in other projects around the country and their potential application to SLO County can be found in the “Best Practices and Key Considerations” section beginning on page 17.

(9) **Other policies should be paired with local hire requirements to promote and sustain local economic growth.** These complementary policies should:

- **Provide training opportunities**, including apprenticeships and community college programs, to ensure that the county is supporting, maintaining, and growing a diverse, skilled local workforce.
- **Bolster career exploration and navigation for students in middle and high school.** Inform students of the wages and benefits available in Construction jobs, and of the local training opportunities available to place them on a path towards these careers.
- **Increase affordable housing in the region.** Expensive housing in the county is a significant barrier to growing a more robust local workforce. In fact, there are still approximately 12% more people in Construction jobs who work within SLO County but do not live within it. Increasing the supply of housing may help increase the supply of local workers.
- **Consider diversity, equity, and inclusion via targeted hire requirements.** Intentional efforts are required to attract and retain diverse talent, and any additional requirements should consider the cost and potential impact upon any project or program.

The following section summarizes the current economic climate in SLO County, followed by a description of the types of local hire agreements that can be implemented in the county, and a detailed description of the potential benefits of local hire.

SLO County Economic Climate

Job Quality

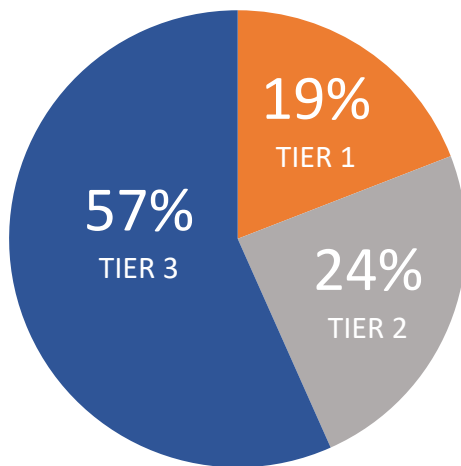
As documented in the 2023 State of the Workforce report concurrently prepared by BW Research, SLO County currently faces issues with respect to its job quality. Job quality is a crucial metric for assessing the economic vitality of a region. For example, a high concentration of low-paying and low-skilled jobs in a region can indicate potential challenges for residents and the overall economy.

TABLE 1. JOB TIER DESCRIPTION

Tier 1 Occupations	Tier 2 Occupations	Tier 3 Occupations
Tier 1 occupations typically represent the highest-paying and highest-skilled occupations. These occupations encompass roles such as managerial positions (e.g., Sales Managers), professional positions (e.g., Lawyers), and highly skilled technology occupations, such as engineers, scientists, and computer programmers.	Tier 2 occupations typically fall within the middle-wage and middle-skill range. This category comprises roles such as office and administrative positions (e.g., Accounting Clerks and Secretaries), manufacturing operations, and production positions (e.g., Electricians, Machinists).	Tier 3 occupations typically represent the lowest-paying and lowest-skilled positions, often constituting the largest share of employment in the County. These occupations encompass roles such as food service and retail positions, building and grounds cleaning positions, and personal care positions.

In 2022, less than one in five jobs (19%) in SLO County were found in the high-wage Tier 1 sector, as compared to 22% statewide. In contrast, approximately 57% of SLO County's jobs were found in the low-wage Tier 3 sector, as compared to 53% statewide. (Figure 2)

FIGURE 2. JOB QUALITY BY TIERS (2022)⁷



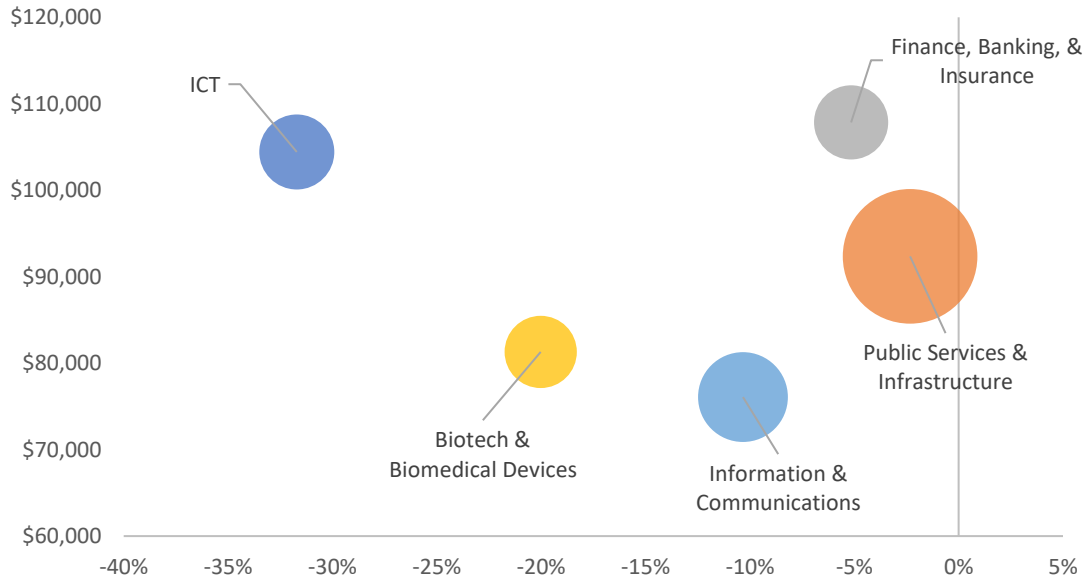
The concentration of SLO County's workers in Tier 3 jobs is important because job quality is one of the most important indicators for a region's long-term economic stability. High-quality, high-wage jobs have a large employment multiplier and provide a higher quality of life. Concentration of local jobs in Tier 3 thus poses a threat to long-term regional growth and may limit advancement opportunities for local workers.

SLO County has a **lower job quality** than the statewide average, with a high concentration of lower-skill, lower-paying Tier 3 jobs.

⁷ JobsEQ 2022 data.

Within the county’s Tier 1 sector, one of the most significant sources of local jobs is the Public Services & Infrastructure industry cluster.⁸ (Figure 3) Public Services & Infrastructure jobs are **49% more concentrated** in SLO County than the United States overall, with all other high-wage clusters in SLO County having job concentrations below the national average. Thus, supporting local employment in high-wage Tier 1 jobs in infrastructure is critical to improving SLO County’s job quality.

FIGURE 3. HIGHEST EARNING INDUSTRY CLUSTERS (2018-2022)⁹



More than three-quarters of the Construction-related occupations (36 of 47) within the county have higher median earnings than the countywide median wage of \$22.07 per hour.¹⁰ In fact, the median wage of these Construction occupations (\$28.53 per hour) is 38% higher than the county’s living wage¹¹ of \$20.67 for a single adult with no children. Thus, since wages within the Construction industry are relatively high, the benefits associated with increasing the share of local infrastructure workers will be relatively large.

As mentioned previously, ensuring high-quality jobs are available to SLO County residents is important, as the county offers a lower share of higher-paying jobs than the state, and job quality has been declining over the past four years. Increasing the number of high-quality jobs within the region—and helping local job seekers secure those employment opportunities—can help ensure there are high quality economic opportunities for residents.

⁸ Industry clusters are sets of closely related industries that collaborate within supply chains or generate value through interconnectedness, such as partnerships for enhanced visibility or business opportunities. Industry clusters are used to identify the drivers of development in a region. In SLO County, local industries were grouped into 19 clusters, which were then categorized by earnings. High-wage clusters offer an average annual wage of more than \$75,000, mid-wage clusters offer wages between \$59,000 and \$74,999, and low-wage industry clusters offer an average annual wage less than \$59,000.

⁹ Bubble sizes indicate the relative size of each industry cluster.

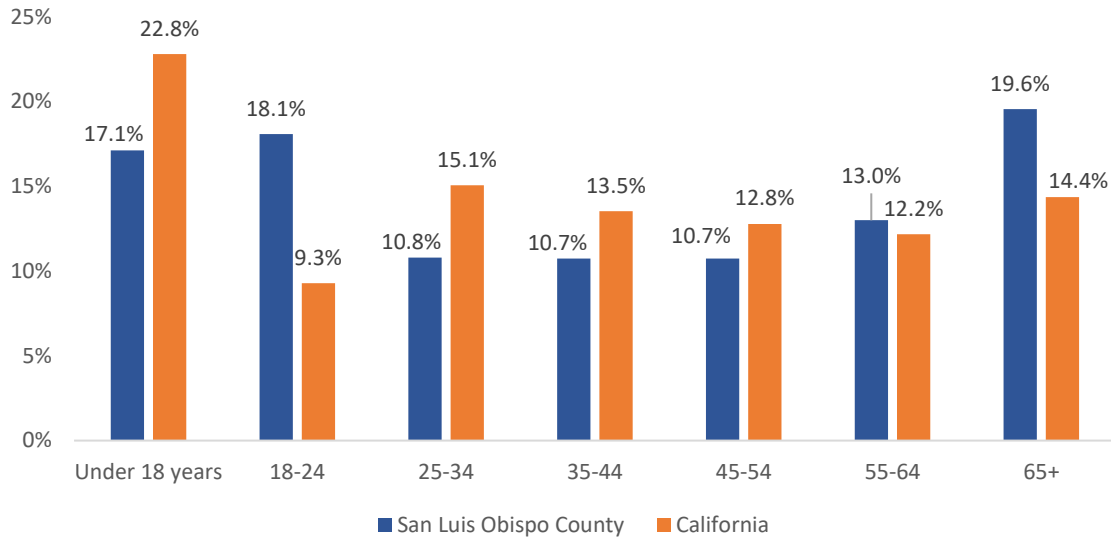
¹⁰ JobsEQ. 2022Q4 Data. SOC occupations 47-1000, 47-2000, 47-3000, and 47-4000.

¹¹ MIT Living Wage Calculator. <https://livingwage.mit.edu/counties/06079>

Demographic Distribution

Furthermore, as documented in the 2023 State of the Workforce Study, SLO County has a “u-shaped” age distribution. (Figure 4) Residents under the age of 25 and those over the age of 64 account for a combined 58% of the population. Those under 25 account for roughly one in every three (35%) people in the county.

FIGURE 4. AGE COMPOSITION IN SAN LUIS OBISPO COUNTY (2021)¹²



This demographic pattern means that ensuring there are robust economic prospects for new entrants to the labor market is paramount to the county’s future direction. Many young people with limited accessible economic prospects are unlikely to help the county prosper. Thus, ensuring there are opportunities for current and future jobs seekers is important, particularly in sectors such as the Construction industry, which offers relatively high wages.

Accessibility

Accessibility is also an important consideration in ensuring high-quality jobs for SLO County residents. Much of the economic growth in the 21st century across the United States was experienced most heavily among jobs that often require a four-year college degree or more. However, most of the jobs created through infrastructure investments will be in Construction occupations. On average, about 11% of workers in Construction occupations have a four-year degree or higher, and an additional 8% have a two-year degree.¹³ This means that about eight-in-ten workers in Construction occupations have not completed any post-secondary education.

¹² JobsEQ Q3 2022. Bureau of Labor Statistics. Quarterly Census of Employment and Wages (2022).

¹³ JobsEQ. 2022Q4 Data. SOC occupations 47-1000, 47-2000, 47-3000, and 47-4000.

The absence of educational barriers and the opportunity to earn good wages—and move upward through a Construction career without additional schooling—mean that many of the jobs created through infrastructure investments will offer quality jobs that are accessible regardless of education. Ensuring that other barriers, such as gender, race, ethnicity, or social capital are also eroded for these occupations will be a key step in ensuring that these opportunities are accessible to all SLO County residents.



THERE ARE VERY FEW ORGANIZATIONS DOING RACIAL JUSTICE WORK, OR COMMUNITY ORGANIZING AND **IT'S A CHALLENGING ORGANIZING ENVIRONMENT**. BECAUSE SLO COUNTY ISN'T VERY DIVERSE, YOU NEED TO LOOK AT WHERE THERE ARE POCKETS OF DIVERSITY, LIKE IN OCEANO OR PASO ROBLES. WE REALLY NEED FOR PHILANTHROPY TO INVEST IN COMMUNITY GROUPS DOING THE ORGANIZING.

— *Lucas Zucker, Central Coast Alliance United for a Sustainable Economy (CAUSE)*

A Growing Need for Infrastructure Workers

Moreover, federal and state investment in transportation and water infrastructure, energy, advanced technologies and manufacturing, and climate mitigation has bloomed in the wake of the significant federal policies that build on California's nation-leading climate and clean energy policies.^{14 15}

These planned investments have the potential to bring substantial—and lasting—economic benefits to the region by creating new jobs in Construction. These new jobs will also generate compounding effects as these new workers have more income to spend at local businesses, creating a multiplier effect. Focusing on hiring local workers will ensure that the infrastructure dollars flowing into the county are maximized, multiplied, and circulated within the local economy and benefiting all residents—even those who do not work in relevant projects.



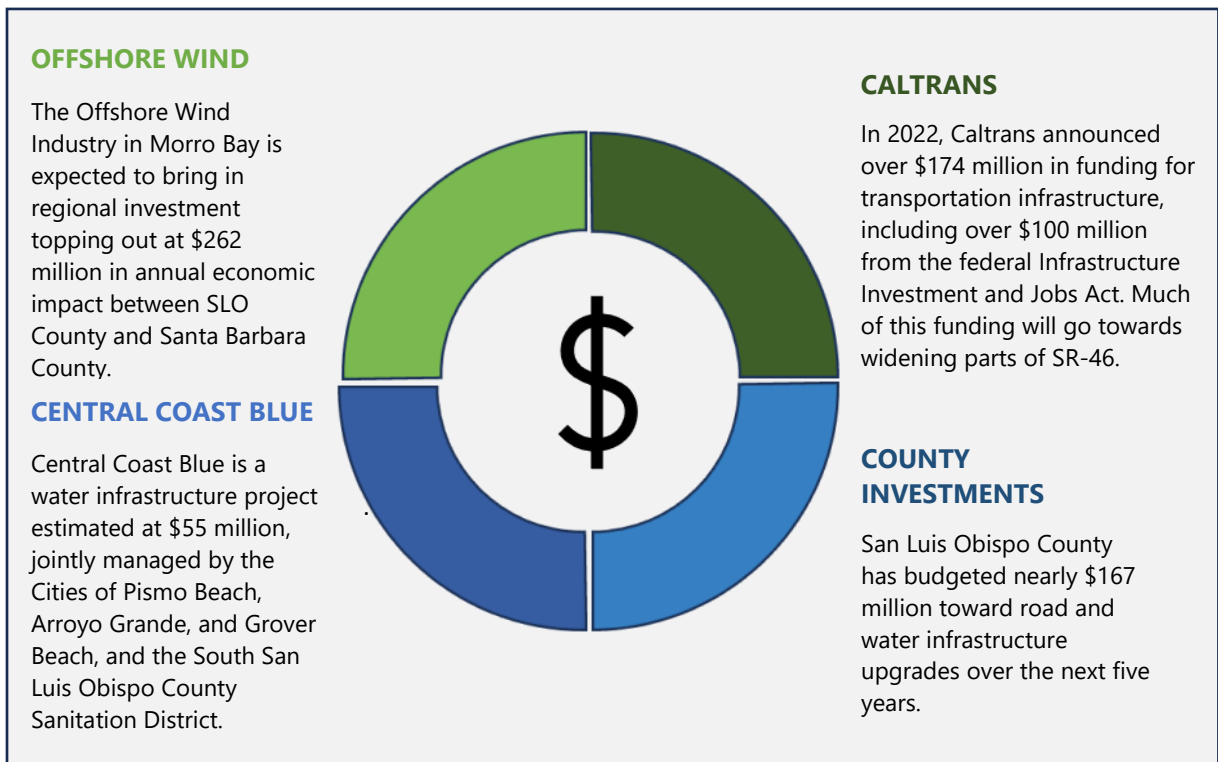
SLO IS GOING TO HAVE A LOT OF INFRASTRUCTURE AND PUBLIC WORKS INVESTMENT COMING UP. OFFSHORE WIND IS GOING TO BE HUGE. WE ARE GOING TO HAVE THE LARGEST BATTERY STORAGE PLANT, THE LARGEST OFFSHORE WIND PROJECT. WE NEED TO PUT THESE AGREEMENTS IN PLACE. **HOW ARE WE GOING TO PRIORITIZE THIS AS LOCAL WORK?**

— *Mark Simonin, IBEW Local 639*

¹⁴ <https://www.slocounty.ca.gov/Departments/Public-Works/Forms-Documents/Projects/Capital-Improvement-Projects/FY-2023-2024/5-Year-Plan.pdf>

¹⁵ <https://reachcentralcoast.org/economic-benefits-of-3gw-offshore-wind-in-morro-bay-estimated-at-262-million-and-650-good-paying-jobs-annually-land-at-port-location/>

FIGURE 5. UPCOMING REGIONAL INFRASTRUCTURE INVESTMENTS



Target Sectors

As documented in the 2023 State of the Workforce Study, some sectors of the county’s infrastructure workforce are expected to be more greatly impacted by local labor shortages than others. According to the study, the county’s Water workforce increased modestly (+4.4 percent), while its Transportation workforce remained stable (+0.1 percent) over the same period. However, the county’s Energy workforce decreased by 22 percent between 2018 and 2021.

The county’s Residential Construction workforce grew by 11.5 percent between 2018 and 2021, but over one-quarter of the workforce was over 55 years old in 2021, and nearly one in 10 was 65 years or older. Thus, a significant share of workers in this segment are nearing retirement and will soon exit the workforce, given the amount of physical labor these jobs often require.

Thus, it may be particularly important to target increasing local hiring in the Energy and Construction segments to ensure that enough workers – and enough workers with adequate experience – is available to meet the labor needs of upcoming infrastructure projects.

Construction workers in SLO County are **relatively old**; 32 of the 47 Construction occupations have a smaller share of workers under the age of 35 than the overall working population in the county. Moreover, 12 of the 47 Construction occupations have more workers who are 45 and older than the overall working population.

Community Involvement and Engagement

Furthermore, by increasing local hiring in infrastructure projects, community engagement may rise. Between the vast range of road and water infrastructure projects, and the growth of clean energy and offshore wind in the region, SLO County will see a transformation in the coming years. Having a local workforce can help ensure that this transformation is carried out by and for residents of SLO County and can help residents feel that they are benefiting from both employment and improved infrastructure. Greater community involvement can also help project owners and developers meet deadlines, avoid opposition, and create opportunities for the community to support projects built in their backyards.

Overview of Workforce Agreements

Each workforce initiative can operate on a **standalone basis** or can be deployed **within other workforce initiatives or agreements**.

Given the prevailing economic conditions in SLO County, intentional efforts are required to ensure that infrastructure projects and development activities maximize employment opportunities for local workers. The intentional efforts are typically policies or negotiated agreements that *specify* a category, or multiple categories, of workers who can be employed on these projects and developments, as described below.

Local Hire

Local hire initiatives describe efforts to ensure county residents and/or other categories of community members are hired for publicly funded construction or economic development projects. They can be enacted by statute, ordinance, or executive order; directed by regulation; or developed as a function of agency decision-making.

Local hire initiatives are found at the state, county, and municipal level, as well as, increasingly, in specific federal policies and legislation¹⁶, although this approach tends to be most utilized at the local or municipal level. Local hiring agreements can apply to individual government agencies at the city or state level, across more than one project, for a duration of time.

Local hiring agreements can also be applied on a project-by-project basis, to projects receiving specific grants or incentives, or to specific public contracts. However, due to legal challenges, local hiring agreements tied to public contracts tend to be bound by specific potential worker categories and pursued as “targeted hiring agreements”.

Negotiation of local hire on a case-by-case basis, as, for example, through a project labor agreement, can provide flexibility and encourage buy-in on an individual basis but does not bring the same level of community-wide impact and scale that a unified local hire policy does.

Some local hire initiatives reflect specific employment requirements with financial penalties for missing targets, while others rely on “good faith” efforts by the employer to meet a set of aspirational workforce goals.

Historical Background of Local Hire Efforts

Examples of local hire efforts stretch back decades. Both Boston and Washington D.C. pursued local hire initiatives in the 1980s, while Palo Alto established an early local hire ordinance for a specific development project in the mid 1990’s. California launched many of the most prominent local hire initiatives over the next decade, especially in Los Angeles, which utilized different local hire approaches for several projects and developments. San Francisco also launched a strong local hire requirement in 2011, with steadily increasing targets. Other prominent local hire initiatives have occurred in Portland, Seattle, St. Louis, Milwaukee, Cleveland, Baltimore, New Orleans, Oakland, and New York City.

¹⁶ DOT, EPA

Historically, legal challenges to local hiring provisions have had varying degrees of success. Many current efforts now limit the use of explicit geographic, race or gender preferences. Several workarounds have been developed including exempting out-of-state workers from the calculations used in local hire provisions (a strategy used by San Francisco, Los Angeles, and Seattle), or developing targeted hiring initiatives that focus on remedying high concentrations of poverty, unemployment, or exclusion from workforce. A deeper legal discussion of this topic is beyond the scope of this report but is an important consideration in the design of any policy.¹⁷

The federal government's role in local hire is more complicated. During the Reagan administration, up through the Obama Administration, cities and states were prohibited on using local hire measures on federally funded contracts (JMA). The Obama Administration launched a pilot initiative in the U.S. Department of Transportation to explore the impacts of local hire requirements on federal grant money from specific agencies. Over two years, 19 states and localities participated in the pilot, demonstrating that bid quality was not negatively impacted by local hire requirements. The pilot was ended during the Trump Administration.

However, the Biden Administration has seen a surge in local hire, with the Infrastructure Investment and Jobs Act (IIJA) including local hire provisions, and the Department of Energy's Community Benefits Plan encouraging a variety of hiring-specific approaches.¹⁸

Targeted Hire

In many cases, local hire initiatives on their own fail to maximize hiring opportunities for specific populations who are underrepresented in these projects. Targeted hiring is designed to address this by specifying hiring goals for communities such as people of color, veterans, women, LBGTQIA+, low income, justice-involved, or youth. Targeted hire efforts are increasingly employed to ameliorate legal challenges while ensuring local hiring occurs in specific communities. They can also be used on a project-by-project basis.

Due to barriers to recruiting, hiring, and retaining specified types of workers, targeted hiring initiatives also integrate outreach strategies, wraparound support and social services, and specialized training needs. They can also utilize first source referrals. Many times, this layered support will be provided in partnership with community groups. Targeted hire policies may be implemented on a standalone basis or integrated into other specified hiring provisions or projects.

First Source Referral

This refers to sources of pre-qualified potential workers that are quickly shared with hiring employers. Generally, under first source approaches, employers in these programs must give first notice of job openings to designated referral centers. Then, one or many job referral centers refer candidates for open positions, and employers are required to exclusively consider these candidates first.

¹⁷ Additional perspectives of this topic can be found at PWF Legal Primer (PDF), and Enforceability of Local Hire Preference Programs (PDF) and First Source Hiring Overview (PDF)

¹⁸ Jobs to Move America plus <https://www.marketwatch.com/story/jobs-from-washingtons-big-infrastructure-law-will-be-more-fairly-distributed-thanks-to-this-one-provision-advocates-say-11653342112>

First source approaches can be developed through policy (e.g., ordinance, statute) or as part of contractual agreements with contractors or developers. First source approaches use many of the same characteristics as other specified-hiring provisions in terms of participation thresholds, hiring goals and population targets.

In the best-case scenario, first source referral can optimize and simplify outreach, recruitment and hiring, and, with effective employer-supported screening, can improve retention. Successful first source approaches utilize dedicated resources and commitments to capacity, staffing and partnerships with stakeholders across the workforce ecosystem (CBOs, workforce development boards, one-stop-shop career centers, training providers).

Project Labor Agreements

Project labor agreements (PLAs) are negotiated agreements, exclusive to the construction industry, established between one or more construction unions and project owners or their contractors for a construction project. They are timebound by the duration of construction project and apply to all contractors and subcontractors on a project.

PLAs have been used since the 1930s, including for major dams, highways, space centers and nuclear plants. Most PLAs have occurred in the private sector, but they have been utilized across all levels of government. At the federal level, requiring PLAs for federally funded projects has been both forbidden and encouraged during successive administrations, with President Biden taking a firmly positive stance, requiring PLAs on federally funded construction projects worth more than \$35 million, affecting a quarter of a trillion dollars in federal construction contracts.¹⁹

While PLAs are generally project-specific, they typically include the following elements:

- Specification of wage and fringe benefits paid on a project
- Agreements on work scheduling
- No-strike, no-lockout clauses
- Requirement to hire workers through a union hiring hall
- Grievance/arbitration procedures for resolving labor disputes

Many PLAs also include some or all:

- A description of the communication process among stakeholders
- Requirements for employees to become union members for the duration of the project
- Training and apprenticeship provisions
- A description of applicable health and safety standards
- A description of applicable working conditions
- Local hiring provisions
- Other targeted hiring provisions

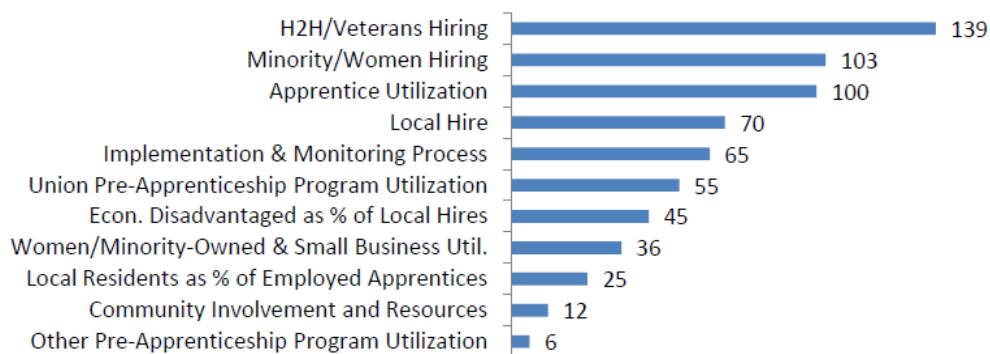
¹⁹ <https://www.federaltimes.com/acquisition/regulations/2023/02/28/house-bill-challenges-biden-order-on-project-labor-agreements/>

- Requirements for hiring small, minority and women-owned business enterprises (SMWBEs)
- Community benefits clauses

A Survey of Literature on Project Labor Agreements

A comprehensive 2011 study of 185 PLAs found a wide distribution of community workforce provisions, including those connected to veterans, minorities, women, SMWBEs and local hiring (Figure 6). Local hiring-specific provisions were found in a third of PLAs, with other complementary provisions that could support local hire. Apprenticeships were found in nearly 60% of PLAs studied, with the addition of different provisions that focused on either developing apprenticeship programs or ensuring demand for those who complete apprenticeship (and pre-apprenticeship) programs.

FIGURE 6: PLAs INCLUDING KEY CWA PROVISIONS (TOTAL PLAs = 185)



Lack of inclusion of a specific provision in a PLA did not preclude meeting that target. For example, meeting a local hire provision in a community comprised entirely of workers of color or disadvantaged workers similarly met the latter two provisions as well. Further, success in meeting a specific provision (such as local hire) usually required apprenticeship initiatives, well-funded wraparounds, and other complementary measures.

Perspectives on Project Labor Agreements

In general, the use of PLAs has vocal proponents and opponents, with extensive competing research available to advocate for and validate specific positions. Proponents believe that PLAs:

- **Make it more likely for complex projects to be completed on time, and within budget** by reducing risks for delays, keeping labor costs predictable.
- **Limit the risk of labor unrest**, which can otherwise cause project delays.
- **Facilitate project management** by requiring multiple trade unions with conflicting rules to enter into an agreement that will govern working conditions for a specific project.
- **Ensure reliable, uninterrupted access to qualified workers**, reducing the risk of delays and poor work quality.

- **Support, maintain and grow a diverse, skilled local workforce** via apprentice and pre-apprenticeships agreements, and other training programs.
- **Improve worker health and safety**, ensuring that workers are covered by labor standards by defining health and safety requirements for a specific project.

However, opponents to PLAs typically cite concerns regarding project costs and efficiency or believe that PLAs are unnecessary since existing federal and state standards already provide adequate protection for worker health and safety. Opponents believe that PLAs can increase costs on a construction project by limiting competition amongst contractors. By specifying labor costs, a PLA can set a floor on a contractor's ability to win a bid based on lower overall costs. Nonunion contractors may also choose not to bid on projects with PLAs, resulting in fewer bids and/or less competitive bids.

Opponents also believe that PLAs can impede efficiency by requiring contractors to hire union workers, preventing them from managing the project in the most efficient manner. Non-union workers on a project are forced to either join a union and/or pay for union benefits, which can lead to double costs if workers have their own version of those benefits, or cause workers to lose out if, for example, they are not on the project long enough to vest in a union's pension plan.

Community Workforce Agreements

Community Workforce Agreements (CWAs) are a specific type of PLA (some describe them as a component of PLAs) that include targeted commitments primarily related to local hiring. CWAs may also include targets for hiring other specific categories of workers, career development and training, and may include opportunities for SMWBEs.

Like PLAs, CWAs are unique to a particular project and feature a wide variety of hiring provisions. Many, but not all, CWAs are focused on creating employment and economic benefits specifically for low income or underserved communities, veterans, and/or workers of color.

One natural alignment between CWAs and many PLAs is that PLAs tend to be negotiated for long-term, complex, expensive construction projects, as they provide the time and opportunities for training and employment that new and disadvantaged workers and apprentices need (and which can be absent from many other training programs). Smaller PLAs and projects with fewer workers and shorter durations may have more limited potential to boost a local workforce.

With intentional design, focus and resources, CWAs are a valuable tool in supporting a more diverse Construction workforce that opens access to non-traditional populations. This can include requirements that a certain percentage of residents of specific targeted areas qualify for apprenticeships and pre-apprenticeship programs, or that a minimum number of workers be drawn from those areas. They can also support community involvement in training and employment and encourage SMWBEs to participate in projects through incentives and requirements.

Community Benefits Agreements

While CWAs are negotiated with unions, Community Benefit Agreements (CBAs) are typically negotiated between community groups and a project owner/developer, and can be found in areas beyond construction, such as manufacturing. Additionally, CBAs include a greater share of community-focused economic and social investments as compared to CWAs, such as affordable housing, pollution reduction, as well as community-focused hiring provisions.

In selecting between CWAs and CBAs, it is important to consider the scope of the goals of the stakeholders involved in the decision. The impacts of both types of programs, however, may require a substantial length of time to be realized and observed, beyond the duration of a single project.

Connecting Local Hire and Workforce Agreements in SLO County

Driving local economic and workforce impacts from coming infrastructure investments is an important goal for the WDBSLO. In that regard, local hire programs can be a valuable tool to ensure that local Construction jobs are maintained within the region. Local hire programs can be included within CWAs for specific projects or can be adopted within the framework of a larger CBA, as described previously.

From a local hiring perspective, CWAs are most effective when they increase participation from local journeymen on construction projects, by encouraging project owners and developers to research, target and prioritize these workers when local union resources are exhausted. The City of Los Angeles provides a good example and leads the nation in leveraging collective bargaining agreements and public works investments to drive high-quality union jobs that are increasingly accessible to target populations.

Furthermore, expanding access to apprenticeships can boost local hiring. For example, the City of San Francisco leveraged its City Build initiative to great effect in connecting apprenticeships driven by the local hire requirements to the local building trades.

Several of the interviews conducted for this report highlighted the value of pursuing CWAs within SLO County, while acknowledging the importance that proper design of CWAs plays in realizing many of its benefits and ameliorating any challenges. Consistently, supporters of CWAs and local hire efforts in SLO County feel there is a considerable need for education on these issues to employers, policymakers, and members of the community.

Workforce agreements can be important in boosting high-quality jobs that stay in a region. Increasingly in the Central Coast region, labor agreements are being negotiated that have community workforce provisions and support direct local hire. Those agreements that do not have direct local-hire provisions still support local hiring of union contracts in the region through hiring goals and targets.

In recent years, CWAs have gained some ground in SLO County, with successes cited in the Diablo Canyon²⁰ project and the Topaz Solar Farm²¹ project.

In 2019, the City of San Luis Obispo joined in the move towards workforce agreements by adopting its first-ever CWA on the largest capital investment in the history of the city. The level of local workforce

There is a direct relationship between demand for union workers—especially long-term, predictable demand—and the ability of unions to create opportunities for targeted populations. When demand increases, unions have more opportunities to expand access and diversify their pool of local hires, as existing demand will be picked up by current union workers.

²⁰ The Diablo Canyon Power Plant (DCPP) provides electricity to more than 3 million people, generating 17 percent of California's zero-carbon electricity and nearly 9 percent of the state's total electricity supply. While the plant is scheduled for decommissioning over the next two years, PG&E is taking action to seek re-licensing from the NRC to extend operations at the DCPP past its current license period.

²¹ The Topaz Solar Farm is one of the largest photovoltaic power plants in the world, at 9.5 square miles, or the equivalent of 4,600 football fields. Construction at the Topaz Solar Farm began in 2011 and was completed in 2015. When operating at full capacity, the 550-MW plant reportedly produced enough electricity to power 180,000 homes. <https://earthobservatory.nasa.gov/images/85403/topaz-solar-farm-california>

involvement demonstrated by the City of San Luis Obispo's Water Resource Recovery Facility (WRRF) allowed the region to retain much of the significant Construction expenditures on the project, ensuring that the investments supported local businesses and residents.

As shown in the case study for the project on the following page, the City of San Luis Obispo estimated that the incremental costs for the CWA would range from \$179,709 to \$274,306. The total cost for CWA administration and labor compliance program implementation was projected to range from \$325,339 to \$498,444; however, if the City had opted not to move forward with a CWA, a labor compliance program would still have been required for the project.

The City estimated the cost of the labor compliance program to range from \$145,630 to \$224,138. Thus, the incremental cost of the CWA was calculated as the difference between the total CWA cost and the cost of the alternative labor compliance program.²² The actual cost was later estimated to reach \$312,000, or 0.3% of total construction cost.

However, as shown on the following page, the benefits of the CWA were significant. While the CWA initially set a target of 30% local hire, the project achieved an approximate local hire rate of 79% by February 2022, significantly eclipsing the original goal. By February 2022, the CWA had ensured the employment of 141,243 hours of local labor.

However, one challenge experienced by the City included difficulties contracting with the only local, full-service specialty inspection and materials testing firm available. This firm was unwilling to provide services on the project if the CWA included construction inspection and quality assurance, and the City's only other alternative was located in Ventura County. The City successfully negotiated the exclusion of these items from the CWA to secure the local firm's services, minimizing travel costs for the project.

Another challenge experienced by the City included negotiation of jurisdictional issues posed by the pipefitters union. The pipefitters union claimed jurisdiction over pipe installation work assigned to laborers by the contractor, and significant coordination between the City and the Community Workforce Coordinator was required to resolve the issue surrounding the overlap in scope of work for laborers and pipefitters.



PREVIOUS LOCAL WORKFORCE AGREEMENTS INCLUDE THE DIABLO CANYON PROJECT AND THE TOPAZ SOLAR FARM. THE GENERAL CONSENSUS IN SAN LUIS OBISPO COUNTY IS THAT THE OVERALL PERFORMANCE OF THOSE AGREEMENTS HAS BEEN GOOD. **THE DIABLO CANYON PROJECT, GOING BACK TO [THE] 1980S, HAS MADE A POSITIVE DIFFERENCE IN THE LIVES OF HUNDREDS OF WORKING FAMILIES AND PROVIDED APPRENTICESHIP OPPORTUNITIES FOR COUNTLESS PEOPLE LOOKING TO ENTER INTO A CAREER IN THE SKILLED TRADES,** AND THOSE BENEFITS ARE STILL HAVING A POSITIVE IMPACT ON LOCAL WORKERS TODAY IN 2023.

THE HEART OF EVERY COMMUNITY WORKFORCE AGREEMENT IS LOCAL HIRE. THAT'S WHY DIABLO BENEFITED THE COMMUNITY SO MUCH. LOCAL WORKERS WERE ABLE TO CAPITALIZE, AND THOSE BENEFITS FLOWED INTO THE SURROUNDING COMMUNITY.

— *David Baldwin, Plumbers & Pipefitters Local 403*

²² <http://opengov.slocity.org/WebLink/DocView.aspx?id=86771&dbid=0&repo=CityClerk&cr=1>

CASE STUDY

City of San Luis Obispo Water Resource Recovery Facility

Photo Credit: City of San Luis Obispo

OBJECTIVES:

To upgrade the capacity of the City of San Luis Obispo's Water Resource Recovery Facility, which treats all the city's wastewater. Significant upgrades were required to meet new requirements and anticipated demands.

BUDGET: \$114 million

PROJECTED COMPLETION DATE: TBD (2023-2024)

BIDDING: The City performed extensive stakeholder outreach and determined that 59% of surveyed contractors indicated that they would be less likely to bid on City projects if they were covered by a Community Workforce Agreement.

WORKFORCE AGREEMENT SUMMARY: The Community Workforce Agreement (CWA) was primarily negotiated between the City of San Luis Obispo and the Tri Counties Building and Construction Trades Council **to maximize employment opportunities for local workers and local contractors through local hire**, while maintaining project quality, schedule, and budget.

LOCAL HIRE TIERS*:

Tier 1: City of San Luis Obispo
Tier 2: San Luis Obispo County
Tier 3: Santa Barbara and Monterey Counties
Tier 4: Ventura County

* Hiring preference also extended to Veterans, regardless of county of residence.



COMMUNITY WORKFORCE AGREEMENT AT A GLANCE:

GOAL: 30% local hire

RESULT: 79% local hire (Feb. 2022)

ESTIMATED COST: \$325,339-\$498,444
(Incremental Cost: \$312,000, or 0.3% of project budget)

ESTIMATED BENEFIT: \$10.4 million in Gross Regional Product from 68 FTEs



KEY TAKEAWAYS:

- (1) Jurisdictional issues are more likely to arise on CWA projects where workers are not allowed to work outside their classification, and the scope of work of multiple trades overlaps. Thus, the scope of work for different types of workers should be clearly defined at the outset.
- (2) Local market context is key in defining local hire goals. Maintaining flexibility in defining the types of services covered under the CWA can increase the likelihood of success.
- (3) Additional outreach may be required to solicit bids for projects involving a CWA.

Another example of a workforce agreement successfully implemented in San Luis Obispo County was the agreement authorized by the South San Luis Obispo County Sanitation District (SSLOCS D) in August 2019. The SSLOCS D endorsed the adoption of a project labor agreement, also termed a community workforce agreement throughout negotiations, which ensured a significant portion of workers on its wastewater treatment plant upgrade would be union workers.

As Mayor Caren Ray Russom noted, out-of-town contractors, who mostly employ non-residents on projects, are likely to win these types of large construction projects if there is not some type of PLA, meaning that infrastructure investment will largely flow outside of the county. Requiring contractors to operate under the terms of this workforce agreement increases the odds that local companies will win the bid, which will ensure many local, unionized, craft employees. To further support local hiring opportunities, this workforce agreement included a 30% local hire goal. Local hire under the CWA significantly eclipsed the original goal, with a 62% local hire rate achieved by December 2022.

As shown in the case study on the following page, the cost of the CWA was estimated to range from \$64,000 to \$115,000, including costs associated with CWA negotiation, contract/specification development, and CWA procedure development. Administrative costs were projected to range from 0.25% to 0.5% of total construction cost. Actual administrative costs (\$104,220) were calculated as the sum of labor costs to identify and select a CWA administrator (\$12,418) and actual CWA coordination fees charged by the administrator plus a 15% contingency (\$91,802).

One pitfall associated with the CWA was a three-month delay in the project bidding process that occurred between May and July 2019. Such delays were partially due to the difficulties involved in coordinating CWA requirements with the USDA Rural Development Program, from which the SSLOCS D sought low-interest project financing. However, based on a detailed review of the CWA terms, the USDA ultimately approved the SSLOCS D's request for project funding. While coordination with an outside funding agency was tricky and required additional time, the SSLOCS D's efforts to minimize project costs by leveraging federal resources were ultimately successful.

Like the WRRF, the SSLOCS D encountered challenges associated with the pipefitters union claiming jurisdiction over the project mechanical work although the work was assigned to the laborers by the general contractor. Furthermore, like the WRRF, the SSLOCS D encountered difficulties negotiating with third-party service providers regarding the inclusion of inspection and quality assurance in the CWA. Like the WRRF project, the SSLOCS D ultimately opted to exclude these elements from the CWA following vocal opposition from consultants pursuing construction management service contracts for the project.

Thus, the CWA created space for customization. In one area, it allowed for construction management positions to be negotiated separately, while in another, certain professional services were exempted from the agreement to ensure expertise on critical project elements. This type of targeted approach can maximize workforce and project gains, while ensuring critical expertise is not lost or projects delayed.



THE POLITICAL DYNAMICS ARE TOUGHER IN INDIVIDUAL COMMUNITIES AND CITIES. CITY COUNCILS, SUPERVISORS, CITY MANAGERS KEEP HEARING PUSHBACK THAT MOST OF THE COMPANIES IN TOWN ARE ALREADY LOCAL, AND HIRE LOCAL AND, ARE UNIONIZED. I'M HOPEFUL WE WILL START SEEING SOME CHANGE.

— *Gloria Soto, Santa Maria City Councilmember*

Thus, while workforce agreements incorporating local hire targets have been successfully implemented in the county, several challenges must be overcome before additional CWAs and diversity initiatives are adopted.

CASE STUDY

South San Luis Obispo County Sanitation District Redundancy Project

PROJECT OBJECTIVES:

To upgrade the wastewater treatment plant while allowing it to continue to operate while specific units were removed from service for maintenance or repair.

BUDGET: \$27.4 million

NOTICE TO PROCEED: Jan. 25, 2021

PROJECTED COMPLETION DATE: TBD

BIDDING:

4 firms submitted Statements of Qualifications for selection as the Contract Management Services lead, and 5 firms were prequalified to bid as the prime general contractor.

WORKFORCE AGREEMENT SUMMARY:

The Community Workforce Agreement (CWA) was a legally binding agreement executed by the District and the Tri Counties Building and Construction Trades Council. It was designed **to ensure that local contractors were in a favorable position to bid on the upgrade project and to support unionized local craft workers**, maximizing benefits of local infrastructure investment via local hiring.

LOCAL HIRE TIERS*:

Tier 1: Residents of the SSLOCSD service area
Tier 2: Residents of San Luis Obispo County
Tier 3: Residents of Northern Santa Barbara County

* Up to 30% of hours could be completed by Apprentice Workers.



COMMUNITY WORKFORCE AGREEMENT AT A GLANCE:

GOAL: 30% local hire

RESULT: 62% local hire (Dec. 2022)

ESTIMATED COST: \$168,220-\$219,220 (including contingency), 0.6%-0.8% of project budget

ESTIMATED BENEFIT: \$2.0 million in Gross Regional Product from 13 FTEs



KEY TAKEAWAYS:

- (1) Coordination of a CWA with outside funding agencies can be tricky, but not impossible.
- (2) CWAs adopted within similar regions are likely to face similar challenges absent early interventions.
- (3) While CWA negotiation and administration minimally increase project cost and duration, CWA benefits far outweigh costs.

Economic and Fiscal Benefits of Local Hire to SLO County

There are many benefits that local hiring provisions, in any specified-workforce initiative, can bring to SLO County. This section quantifies these potential benefits for SLO County residents.

Increasing local Construction hiring for infrastructure projects can have a significant economic and fiscal impact on SLO County. For example, for every additional 100 road and water infrastructure construction worker that lives in SLO County, nearly 16 additional jobs are created through indirect effects as local suppliers provide the input goods and raw materials necessary for the construction labor.

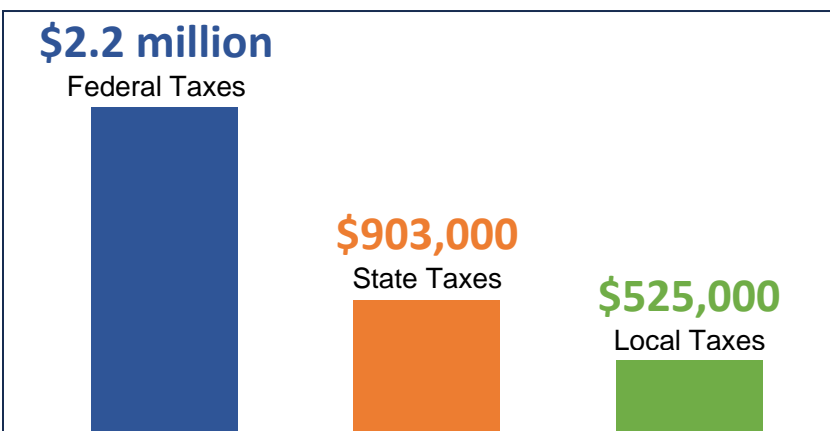
An additional 33 jobs are created through induced effects, which is the economic gain generated when the 100 additional construction workers and the 16 supply-chain workers through “indirect” effects then spend their money on local goods and services by visiting restaurants, movie theaters, hardware stores, and more (Figure 7).²³

FIGURE 7. ECONOMIC IMPACTS PER 100 ADDITIONAL LOCAL CONSTRUCTION WORKERS



These new workers also pay local, state, and federal taxes. For every 100 additional road and water infrastructure workers locally, an additional \$525,000 in local taxes are generated, \$903,000 in state taxes, and more than \$2.2 million in federal taxes (Figure 8).²⁴ Thus, local hiring provisions can be important not just for workers and residents, but for city, county, state, and federal governments.

FIGURE 8. FISCAL IMPACTS PER 100 ADDITIONAL LOCAL CONSTRUCTION WORKERS



²³ For more information about economic impact models and definitions of terms, please see Appendix A.

²⁴ Economic and fiscal impacts derived from IMPLAN Economic Impact Modeling. San Luis Obispo County. 2021 model year data.

Best Practices and Key Considerations

This section summarizes best practices and key considerations for implementing local hire initiatives. As described below, published results from local hire initiatives show a wide range of positive and neutral impacts, with equal measures of successes and challenges in reaching goals. Most have required modification from their initial design, sometimes with less ambitious targets than initially conceived. It is difficult to draw direct conclusions from any one initiative and apply it to San Luis Obispo County, but a broad review of these reports is included below to provide initial best practices and design considerations.

A number of these best practices are important for driving greater access to, and equity of, employment opportunities in San Luis Obispo County, and are expanded on in further detail below. Local hire agreements, especially connected to specific projects, can significantly expand demand for workers in communities where this demand is an infrequent occurrence. The communities also tend to have fewer numbers of immediate workforce-ready residents for these occupations. Targeted hire provisions are likely to face these challenges as well.



Local hiring programs should be established in the context of both local market conditions and a broader economic development strategy. Local hiring, and other specified-hiring provisions, are highly context-dependent and locally driven.

Key factors to consider include political will, public support, size of projects/investments, size and availability of relevant workforce categories, and capacity of key stakeholders (e.g., unions, community groups, educational institutions, training providers).

Local context should inform the criteria chosen to set contractor participation thresholds, such as minimum or maximum project size, square footage of development, or other factors.

The best practices below can apply across all specific-workforce hiring provisions, although some are more focused on one or another (such as project labor agreements or other complementary specified-hiring efforts):

1. **Pursue broad stakeholder engagement and communicate roles and responsibilities at the start of a project.** Ensure that all parties understand each other's roles and responsibilities from the very beginning. Establish working, trusting relationships with the myriad stakeholders involved (community groups and other support service providers, local trades unions and councils, policymakers, workforce board, training providers, educators, etc.). Upfront education and commitment to a strategy for stakeholder engagement will increase the likelihood of project success.
2. **Provide clear local hiring targets.** This makes it easier to measure and communicate and can contribute to maintaining effective partnerships. Targets define the geographic area where workers will be drawn from to meet the local hire requirements. In the case of targeted hiring

initiatives, identify beneficiaries based on needs and context of the community, or those who face additional barriers to employment. Hiring goals can be aspirational, binding, or something in between. Most experts support “percent of total hours worked” being the appropriate starting target for specified-hiring goals, although other options include percent of total employees hired or percent of jobs set aside. Other approaches use incentives to support the hiring goals, rather than providing a specific target number.

3. **Consider local worker supply and demand when setting hiring targets.** Ensure that targets reflect changes in workforce composition over time. Ensure that targets are geographically appropriate, as setting too narrow of a geographic area can hamper the likelihood of success. Ensure that targets are set to achieve specific priorities, such as reaching low-income zip codes, but also specific communities of color or other under-utilized populations facing barriers to employment.
4. **Ramp up targets over time, with milestone check-ins for progress and offramps as needed to match local labor supply and demand.** Ramping up targets can strengthen relationships with contractors, create more effective workforce pipelines that feature different targeted community members, and allow for community capacity-building that provides wraparound and other support services.
5. **Develop a strong program to conduct outreach, recruitment, screening, tracking, support, and retention for future workers.** A dedicated strategy is needed to reach underrepresented workers to increase the likelihood of employment and retention. This includes intentionally funding and developing programming to provide job readiness and preparation support for new entrants.
 - a. *First source referral efforts are an important strategy integrated into many local hire provisions and can include processes and capacities that ensure community members get a first look at available roles.* Partnerships with groups can identify and recruit targeted workers. Community organizations, in particular, can address outreach, wraparound support, and social services. Dedicated “workforce intermediaries” can identify future hiring needs through local hiring programs or project labor agreements for specific projects and can work with existing training and other service providers to ensure that residents have the necessary skills and preparation.
 - b. *Partnering with and engaging future employers from the start is critical, to design workforce readiness and training curriculums directly tied to available occupations, as well as commit to hiring future workers.*



AT A HIGH LEVEL – WHAT WOULD BE VALUABLE WOULD BE A CERTAIN PERCENTAGE OF WORK HOURS FOR LOCAL, DISADVANTAGED GROUPS AND DEDICATING RESOURCES TO ONE-STOP JOB CENTERS AND WORKFORCE DEVELOPMENT PROGRAMS THAT WILL BE AN ENTRY POINT INTO THE GOOD JOBS.

—*Lucas Zucker, Central Coast Alliance United for a Sustainable Economy (CAUSE)*

6. **Establish pre-apprenticeship programs with dedicated funding that offer a comprehensive set of training and support systems.** Many future workforce candidates, especially those from underserved communities and underrepresented populations may need additional support to overcome specific barriers to workforce entry. A targeted pre-apprenticeship program can offer

foundational skill-building, screen candidates for their interest and viability for occupations, and provide comprehensive support systems.

7. **Connect pre-apprentice programs to union apprenticeship opportunities** through preferred or direct entry agreements. This will further increase pre-apprentice participants' likelihood of long-term career success. Union apprentice programs are the best, most comprehensive form of workforce development, and forging strong connections to these apprentice programs will maximize the value of these pre-apprenticeship programs.

8. **Establish apprenticeship programs with support services and set specific utilization targets.** An apprenticeship requirement can specify the percent of apprentices from specific targeted categories, such as county residents, women, veterans, youth, people of color, among many others. Like pre-apprenticeships, support services and other fiscal support for apprenticeship participants increases completion and retention rates.



THESE PLA'S AND CWA'S ARE A PATHWAY TO APPRENTICESHIPS AND HIGHLY SKILLED TRADES. WITHOUT THEM, THIS PATHWAY DOESN'T EXIST. APPRENTICESHIP NEEDS TO STAY AT THE FRONT OF THESE AGREEMENTS.

—David Baldwin, Plumbers & Pipefitters Local 403

9. **Provide sufficient apprenticeship work opportunities through a targeted hiring percentage over a protracted period.** Completion of an apprenticeship can transition workers into journeyman status, providing a long-term career pathway. Expanding high-quality post-apprenticeship work opportunities and developing a healthy referral system reduces the amount of time to complete the program and makes the concept of a long-term apprenticeship more appealing to under-engaged populations.
10. **Establish high-quality, on-the-job training programs, in partnership with employers and local training providers.** This will better ensure a pipeline of diverse workers. This direct investment in workforce training that meets the needs of contractors and other employers is key to creating a supply of diverse workers.
11. **Work closely with contractors to understand their needs.** This will support them in meeting local apprentice and journeyman hiring targets. Specified hiring agreements can have a significant impact on pre-established agreements between unions, contractors, and developers. Developing strong contractor engagement can illuminate challenges and opportunities in promoting local hiring and apprenticeship opportunities, support many of the other best practices established in this section and promote SMWBE participation with programmatic support such as technical assistance and mentorship opportunities.
12. **Create a clear and transparent compliance process with regular reporting, data collection and oversight by a shared multi-stakeholder body.** Compliance provisions define the strictness of the target and range from aspirational goals with alternate means of compliance to hard requirements with financial penalties for non-compliance. Incentives can also be a valuable tool, alongside penalties, in increasing support and expanding interest to participants of workforce-specific hiring provisions. Strong compliance systems, with oversight and review, ensure accountability to the community and help build trust in the approach.

Formal mechanisms are important, that include community stakeholders as well as developers and elected officials. Additionally, public reporting of results and other transparency measures keep the community and relevant stakeholders informed of progress and create the foundation to hold relevant players accountable if warranted.

13. **Collect data to track measurable outcomes.** A recurring theme amongst interviewees for this study was the desire for “hard” data substantiating the benefits of local hire agreements.
14. **Actively monitor compliance with specific enforcement mechanisms.** Active monitoring and enforcement are necessary to ensure compliance.
15. **Provide incentives along with penalties to increase compliance.** Both incentives and penalties provide different mechanisms to promote compliance.

The table on the following page synthesizes and aggregates how many times the 15 best practices appeared across nearly a dozen reports reviewed for this exercise.

TABLE 2. BEST PRACTICES AND THEIR SOURCES

REPORT	1	2	3	4	5	6	7	8	9
1. Establish broad strategy for stakeholder engagement ensuring all parties understand each other's roles and responsibilities			X					X	
2. Establish clear local hiring targets as a percent of total hours worked	X	X				X	X	X	
3. Clearly understand local hiring needs and local supply in setting targets				X	X	X			
4. Include ramp-up periods for local hiring target that increase over time				X	X				
5. Establish a strong program to find, screen, track and support workers with dedicated partnerships and funding							X	X	
6. Establish pre-apprenticeship programs with dedicated funding that offer a comprehensive set of training and support systems	X		X					X	
7. Link pre-apprentice program to union apprenticeship opportunities through preferred or direct entry agreements	X		X					X	
8. Establish apprentice program with support services, specific population targets, and percent requirement of apprenticeship utilization	X					X		X	X
9. Provide sufficient apprenticeship work opportunities through a targeted hiring percentage over a protracted period	X		X			X		X	X
10. Establish high-quality, on-the-job training programs				X		X	X		
11. Work closely with contractors and understand their needs					X			X	X
12. Create a clear and transparent process with regular reporting and oversight by a shared multi-stakeholder body	X			X		X		X	
13. Collect data to track measurable outcomes	X	X			X				
14. Actively monitor compliance with specific enforcement mechanisms, clear penalties, commitment, and dedicated staff	X	X	X	X	X	X	X	X	X
15. Provide incentives along with penalties to increase compliance				X				X	X

Conclusion

SLO County is a vibrant economy that will face both significant challenges and opportunities in the years to come. The county has a higher proportion of low-paying jobs as compared to the state, indicating that the county has had trouble attracting and retaining local talent, particularly for high-wage jobs. Additionally, the county has a U-shaped age distribution, with a larger share of older residents (65 years and older) than the statewide average, and a growing Millennial cohort, including the student population of Cal Poly.

However, SLO County can increase its job quality and facilitate economic growth by implementing moderate local hiring requirements for upcoming infrastructure projects planned within the county. These investments are expected to be significant, with hundreds of millions of dollars at stake.

Implementing a moderate local hiring requirement can help ensure that developers of future large scale and specialized projects—ranging from water treatment to offshore wind development—can support local workforces. These assurances can have significant economic and fiscal, job quality, and even project development benefits throughout the county.

Within SLO County, Construction jobs pay a higher-than-average wage and have relatively low barriers to entry as compared to other high-paying jobs. Thus, increasing local hiring in Construction will both increase the county's share of high-wage jobs, and increase the quality of life within the county as new local workers contribute to the local economy.

Infrastructure projects incorporating local hire requirements have been successfully negotiated and are nearing completion in San Luis Obispo County. In 2019, the City of San Luis Obispo negotiated a workforce agreement with the Tri-Counties Building and Construction Trades Council for a \$114 million project upgrading the city's Water Resource Recovery Facility. The workforce agreement included a 30% local hire goal, which was significantly eclipsed in 2022, with 6% of hours worked by city residents and 46% worked by SLO County residents.

Also, in 2019, the South San Luis Obispo County Sanitation District authorized a \$28 million CWA for a wastewater treatment plant upgrade project, which included a 30% local hire goal. The project ultimately reached 59% local hiring.

For every 100 additional Construction workers that live within SLO County, an additional 49 jobs are created and sustained through supply chain demand and induced effects.

This economic activity generates an incremental \$525,000 in local taxes and an incremental \$903,000 in state taxes.

Local hiring requirements are also crucial to creating demand for apprenticeships and pre-apprenticeships, advancing workers along pathways to higher-paying jobs within the region, further supporting job quality. However, some community stakeholders are likely to voice concerns regarding such measures, given SLO County's current political climate. Education will be crucial to garnering both public and political support for new local hiring requirements within the county.

Confidentiality and lack of reporting of measurable outcomes from past workforce agreements may be significant barriers to achieving this goal. Thus, adopting best practices such as clear and transparent reporting mechanisms and pursuing active stakeholder engagement at the beginning of projects that include

workforce agreements incorporating local hire will be critical to ensuring future adoption of such measures.

Recent projects involving workforce agreements with local hire provisions have been highly successful. Providing concrete evidence on the benefits of local hiring – such as these project-specific successes – may help garner both public and political support for such measures. Reassuring project owners and developers that procedural requirements will not be burdensome may also help quell opposition to local hiring measures.

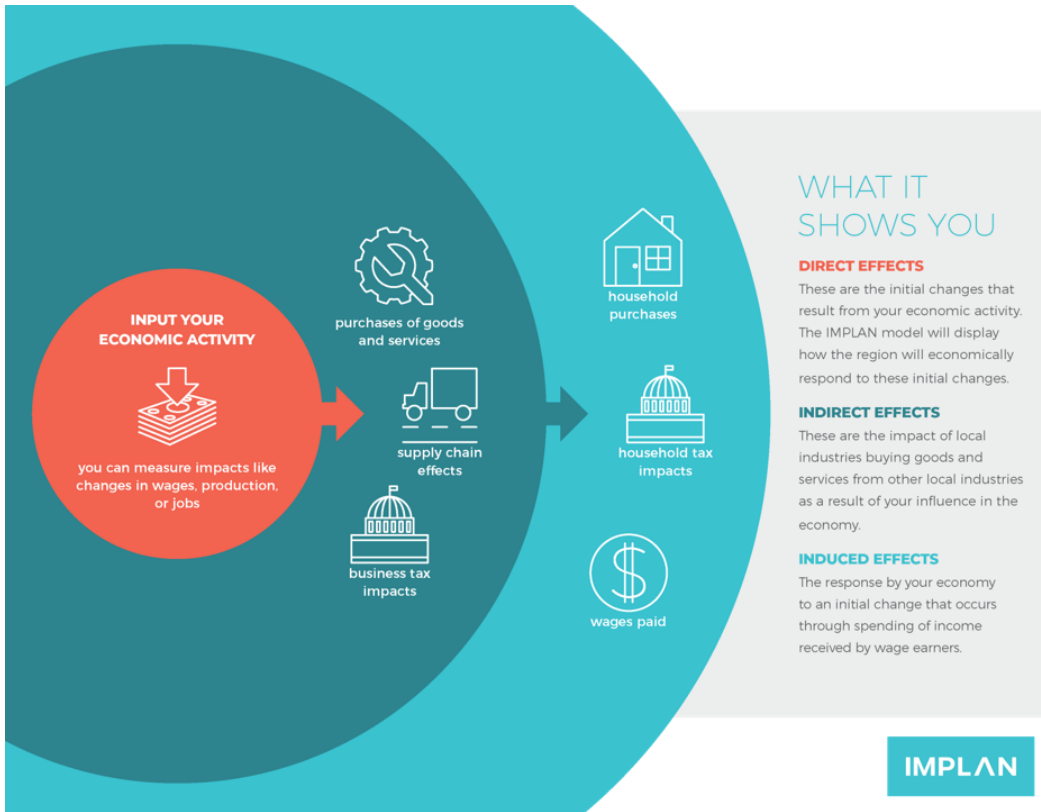
Appendix A: Economic Impact Modeling Methodology and Terminology

Employment and economic impacts for both phases are divided into direct, indirect, and induced effects across the local economy. This section provides an overview of the types of economic impacts discussed in the findings.

- **Direct effects** show the change in the economy associated with the initial job creation and/or initial economic activity. For the purposes of this research, direct jobs range from construction workers involved in building and improving the manufacturing facility to sales, administrative and production employees in the operations and maintenance (O&M) phase.
- **Indirect effects** include all the backward linkages or the supply chain responses resulting from the initial direct economic activity. An example of an indirect job added to the local economy would be a new worker at a lumber mill hired to handle the increased demand for construction lumber that results from the initial investment.
- **Induced effects** refer to the effects of increased household spending and are the result of direct and indirect workers spending their wages within the local economy. An example of an induced job would be a local restaurant hiring more staff because construction workers during the construction phase and salespeople during the operations phase have new disposable income and eat at this local restaurant resulting in an increase in demand for food and waitstaff.

Other terms used in this economic impact analysis include:

- **Labor Income** includes all forms of employment income, such as employee compensation (wages and benefits) and proprietor income (i.e., payments received by self-employed individuals and unincorporated business owners).
- **Value Added** is gross output less intermediate inputs. This is equivalent to Gross Domestic Product (GDP) for national outputs and Gross State Product (GSP) for state-level outputs. This is the net economic activity generated by the construction or operations of developments, less the cost of input materials to avoid double-counting economic activity.



Appendix B: Works Cited

- Damewood, Katrina Liu and Robert. "Local Hiring and First Source Hiring Policies: A National Review of Policies and Identification of Best Practices." 2013.
- Estolano Advisors. "Improving the Effectiveness of Project Labor Agreements." 2020.
- Maria Figueroa, Jeff Grabelsky, and Ryan Lamare. "Community Workforce Provisions in Project Labor Agreements: A Tool for Building Middle-Class Careers." 2011.
- Mason Tillman Associates, Ltd. *City of St. Louis Workforce Study*. St. Louis, Missouri, 2015.
- Mulligan-Hansel, Kathleen. "Making Development Work for Local Residents: Local Hire Programs and Implementation Strategies that Serve Low-Income Communities." 2008.
- Report, City of Sacramento City Council. *Establishing Local Hire and Community Workforce Training Program and Local Business Involvement Pilot Program for Citywide Capital Improvement Projects (Two-Thirds Vote Required)*. City of Sacramento, 2018.
- San Francisco Office of Economic & Workforce Development. *The San Francisco Local Hiring Policy for Construction*. Annual Report. San Francisco, 2022.
- San Francisco's Office of Economic and Workforce Development. "San Francisco Local Hiring Policy for Construction: 2013-2014 Report to the San Francisco Board of Supervisors." n.d.
- Transportation Research Board of the National Academies. "Enforceability of Local Hire Preference Programs." *Legal Research Digest* April 2013.
- Transportation, Washington State Department of. *Community Workforce Agreement and Diversity, Equity, & Inclusion Report*. 10 November 2022.
- Veeder, Christy. "Empirical Analysis of USDOT's Local Labor Hiring Pilot Program." n.d.