



# Government on Workers' Side

## How State and Local Policymakers and Advocates Can Raise Standards for Publicly Supported Work

By Karla Walter January 2024

### Key takeaways

State and local governments support millions of jobs across the U.S. economy, spending hundreds of billions of dollars each year to purchase goods and services and spur economic development. Yet jobs created through government spending often pay very low wages, have poor working conditions, or do little to ensure that local residents benefit.

This report uses an accessible format, designed to provide policymakers and advocates a road map for reform, to recommend how to raise standards for government-supported work across construction, service, and production jobs. It specifically recommends reforms to:

- Carefully evaluate decisions to contract out public work.
- Evaluate contractors for responsibility.
- Adopt wage and benefit standards.
- Expand equitable access to high-quality jobs.
- Require project labor agreements and community workforce agreements.
- Adopt incentives to raise workplace standards above the legal floor.

Research shows these standards produce a multitude of benefits, from boosting the earnings of middle-class families and encouraging participation among women and people of color to boosting worker productivity and supporting on-time and on-budget project completion and a strong tax base.

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## Introduction and summary

State and local governments support millions of jobs across the U.S. economy, spending hundreds of billions of dollars each year to purchase goods and services and spur economic development.<sup>1</sup> Yet jobs created through government spending often pay very low wages, have poor working conditions, or do little to ensure that local residents benefit.<sup>2</sup> Poor-quality jobs not only hurt workers but also undermine the quality of public goods and services, undercut the stability of local labor markets, and often result in hidden costs for the public.<sup>3</sup>

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Jobs created through government spending often pay very low wages, have poor working conditions, or do little to ensure that local residents benefit.

Thanks to historic and unprecedented federal investment—through the Inflation Reduction Act, the Infrastructure Investment and Jobs Act (IIJA), and the CHIPS and Science Act—now is the time for policymakers and advocates to improve existing job standards on publicly supported work. The federal government is providing state and local applicants with billions of dollars in competitive funding to support investment in physical, digital, water, and clean energy infrastructure and is preferencing applicants with a demonstrated capacity to create good jobs that benefit workers from all walks of life.<sup>4</sup> In addition, many progressive state and local governments are at the forefront of innovative policies to improve the lives of working people in their communities by raising standards for government spending that funds jobs across all sectors, including service jobs that too often pay low wages.

The Center for American Progress has written extensively on the benefits and mechanisms to raise standards on government-supported work.<sup>5</sup> This report uses an accessible format, designed to provide a road map for policymakers and advocates, to recommend several distinct reforms to raise standards on government-supported work across construction, service, and production jobs.

Specifically, the report outlines policies to:

- Carefully evaluate decisions to contract out public work.
- Evaluate contractors for responsibility.
- Adopt wage and benefit standards.
- Expand equitable access to high-quality jobs.
- Require project labor agreements and community workforce agreements.
- Adopt incentives to raise workplace standards above the legal floor.

Each section of this report briefly explains a policy and its benefits, lists the key elements of a successful policy, and provides examples of communities leading the way. In addition, the report uses text boxes to highlight crosscutting considerations—such as how the Biden administration’s actions to implement its historic investment agenda are supporting the expansion of high-road standards; the effects that state preemption laws may have on reform opportunities; and universal strategies to allow for effective enforcement.

These policies will have the greatest effect when adopted in tandem and expanded to all types of government spending. For example, while wage and benefit standards can help ensure that government spending does not undercut area market wages, project labor agreements and targeted hire standards can help raise standards even higher and target local residents as beneficiaries of spending, thereby supporting project stability and ensuring a pipeline of well-qualified workers. Moreover, many communities have adopted quality standards for jobs funded through direct contracts. They should extend these standards to loans, grants, tax incentives, and other government spending and permitting programs.

While the ultimate goal should be to adopt all the policies outlined in this report, adopting just one of these reforms would improve the lives of working families. State and local jurisdictions across the political spectrum have adopted versions of these policies. And while state preemption and competitive bidding laws may limit action on some of them, others, such as responsible bidder standards and incentives to raise workplace standards above the legal floor, have been adopted by pro-worker local policymakers in conservative states.

Research shows these standards produce a multitude of benefits, from boosting the earnings of middle-class families and participation among women and people of color to boosting worker productivity and supporting on-time and on-budget project completion and a strong tax base.<sup>6</sup> By adopting job quality standards for government spending, state and local policymakers can improve the lives of working people today and support a strong and stable local workforce for decades to come.

### **Competing for federal funds based on good jobs**

The Biden administration’s signature industrial policies – the Inflation Reduction Act, the IIJA, and the CHIPS and Science Act – promise to create millions of good jobs across American communities, with investments that support physical, digital, water, and clean energy infrastructure.<sup>7</sup> At the heart of this economic strategy is a commitment to high-quality jobs and workplace equity, with standards and incentives written into competitive grants and spending programs as well as a shared understanding of what constitutes a good job. This includes fair pay and benefits; workplace empowerment and labor representation;

diversity, equity, inclusion, and accessibility; skills and career advancement; and job security and safe working conditions.<sup>8</sup>

The federal government is asking state and local applicants for competitive funds to take action to uphold good jobs for local residents. Communities can demonstrate their commitment to this strategy by adopting high-quality workforce training strategies; contractual agreements such as project labor agreements, protections to uphold collective bargaining rights, partnerships with labor and community groups, and ongoing outcomes tracking.

As a result, communities with no or few preexisting standards for jobs funded through government spending are gaining familiarity with these sorts of policies. Yet they must evaluate existing labor market conditions and appropriate standards, determine recordkeeping regimes, and forge new stakeholder partnerships ad hoc for every new federal grant application. Conversely, communities with comprehensive policies are at a competitive advantage to win federal funds, since they have already established the standards and partnerships necessary to demonstrate future compliance.

Pro-worker state and local policymakers and advocates should take advantage of the momentum that federal investments have created in order to garner support for and strengthen these sorts of across-the-board standards.

Learn more about how federal investments support good jobs: <https://www.americanprogress.org/article/4-job-quality-questions-all-applicants-for-new-federal-funds-should-answer/>

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## Policy recommendations

As previously noted, each section below briefly explains a specific policy and its benefits, lists the key elements of a successful standard, and provides short examples of communities leading the way on each policy.

### Carefully evaluate decisions to contract out public work

State and local governments seeking to protect the public and workers and to promote quality services should require a careful review of decisions before contracting out government work to the private sector.

#### *Why should communities adopt this reform?*

Excessive use of contracting by states and localities weakens the ability of government officials to oversee taxpayer-funded work, but few governments do enough to limit the practice sufficiently, particularly among core government functions, or to ensure strong public oversight.<sup>9</sup> Contracting out also frequently results in worse jobs for local communities because many of the industries in which privatization has been prevalent are characterized by poverty wages and widespread violations of basic workplace laws.<sup>10</sup>

### *How does it work?*

Review processes should ensure that the government contracts out only those services that public employees cannot capably and cost-effectively perform and that do not involve functions that government should perform for accountability or other public interest reasons. Government agencies should adopt consistent procedures for determining whether it is in the public's best interest to contract out work, as well as ensure that when privatization decisions are made, the process allows for an accurate analysis of the benefits and costs.

### *Elements of a successful policy*

State and local governments should:

- **Establish a presumption of public service delivery**, as well as guardrails to ensure that governments use government employees, if available, and do not contract out core government services such as inspection and enforcement of health and safety standards; responsibilities overseeing and setting regulations for contracted services; and criminal or civil law enforcement.
- **Assess the economic and social impacts of contracting out services.** This should include a review of the quality and long-term sustainability of privatized services, the working conditions for contracted workers, and the effects on the community, as well as the cost of providing public assistance to contractors' workers who receive low wages and benefits. Impact assessments should explore alternative solutions to contracting out.
- **Allow workers and their representatives to propose reorganizations or changes to service delivery in response to a privatization proposal.** To support successful proposals, empower employee bid teams by providing information, technical assistance, leave, and collaboration with management employees.
- **Require a comprehensive cost analysis before contracting out services and establish a baseline level of cost savings that must be demonstrated over the proposed contract duration.** Analysis should include the cost of monitoring and enforcing existing contracts and fixing poorly executed contracts. Moreover, policymakers should require cost analysis to review workforce impacts, including the displacement of public sector workers, and ban savings from being achieved through wage and benefit reductions.
- **Provide existing workers a right of first refusal**, and require that all new positions pay wages and benefits comparable to existing compensation levels.
- **Facilitate government and stakeholder oversight through public notices and meetings** that include the existing workforce, worker representatives, and affected communities.

- **Require a competitive bidding process when contracts expire and accept in-house bids from government workers**—while ensuring that in-house bids are not used to avoid paying prevailing wages and benefits. Spending databases should be publicly available and include detailed information on recipients, including total awards, awarding authority, total jobs created, and working conditions, as well as past legal violations and certifications of legal compliance.

### *Who is doing it right?*

Several states—including Connecticut, California, Illinois, and Minnesota—have established a presumption of public service delivery or standards to ensure that government explores use of available public employees before contracting out.<sup>11</sup> Minnesota requires that before entering into or approving a general service contract valued in excess of \$5,000, the commissioner of the Department of Administration confirms that no current state employee is able and available to perform the services for which the contract calls.<sup>12</sup>

Oregon requires a written cost analysis before contracting out services valued at more than \$250,000. Legislation requires that state and local agencies demonstrate that contracting out work would reduce costs more than using its existing personnel and resources, unless the agency “reasonably determines in writing” that using government personnel is not feasible.<sup>13</sup> The government agency is also prohibited from privatizing services if the cost analysis demonstrates that the lower wages and benefits paid by the contractor are the “sole reason” why contracting out would be cheaper.<sup>14</sup>

Maryland enacted legislation in 2015 that requires state agencies considering contracting out services to conduct an analysis of alternatives to the proposed contract and to meet with the representative of the affected public sector workers to discuss alternatives.<sup>15</sup> In addition, Maryland statutes permit service contracts only if they: 1) do not adversely affect the state’s affirmative action efforts; and 2) establish a minimum cost savings requirement of 20 percent or \$200,000, whichever is less.<sup>16</sup> And Rhode Island requires that bargaining representatives of workers potentially affected by a proposal to privatize state services receive six-month advance notice as well as the opportunity and technical assistance to create an “in-house” bid.<sup>17</sup>

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Finally, the city of San Jose, California, has adopted two policies—the Service Delivery Evaluation Policy and the Public Private Competition Policy—that establish a clear process to guide outsourcing decisions. The policies support appropriate government delivery of services by allowing public agencies administering poorly performing programs to make readily achievable improvements before an agency may pursue privatization. The policies feature strong upfront oversight—soliciting public and city employee input and subjecting contracting decisions to council review—and require a thorough evaluation of the ongoing costs of contracting out.<sup>18</sup>

## **Evaluate contractors for responsibility**

State and local governments seeking to improve the quality of their contractor pools are increasingly instituting more rigorous evaluation of prospective vendors. Governments have adopted these laws to improve the quality of their contractor pools and to better identify companies with long track records of committing fraud and other legal violations, wasting taxpayer funds, and lacking the proper experience and licensure. This includes companies with histories of violating workplace laws and important regulatory protections.

### ***Why should communities adopt this reform?***

Research finds that adopting such programs—often termed “responsible bidder” programs—results in higher-quality and more reliable services; increased competition among responsible contractors; reduced project delays and cost overruns; and stronger incentives for compliance.<sup>19</sup>

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### ***How does it work?***

Responsible bidder policies require contracting agencies to determine if bidders meet legal and financial thresholds that help demonstrate they have adequate financial capacity, organization, experience, and operational controls—as well as a record of integrity and business ethics—to complete the job and provide a good value for the public investment.<sup>20</sup>

## *Elements of a successful policy*

State and local governments should:

- **Review bidders' history of legal compliance, financial records and proof of insurance, and licensing.** Legal compliance review should look specifically at bidders' records of compliance with workplace laws, including federal, state, and local wage and safety laws.
- **Apply requirements to both prime contractors and subcontractors** to uphold quality across an entire project.
- **Prescreen applicants before selecting a winning bid**, which is a more reliable approach than a responsibility review conducted for only the lowest-cost or presumed winning bidder.
- **Support workforce stability on publicly supported construction projects** by requiring bidders to provide evidence of participating in active registered apprenticeship programs.
- **Require ongoing submission of certified payroll records by contractors and subcontractors** to ensure that low-road contractors are not able to cut costs by misclassifying workers.

## *Who is doing it right?*

The Indiana, Illinois, Iowa Foundation for Fair Contracting, a nonprofit partnership of local industry employers and labor unions, has developed guidance and model responsible-bidder language and works with policymakers in cities, counties, and other local jurisdictions across the states to enact these ordinances.<sup>21</sup> From 2010 to 2019, the number of responsible bidder ordinances in Indiana and Illinois grew by 76 percent.<sup>22</sup>

The policies prescreen bidders for legal compliance, evaluate prime contractors and subcontractors, and require active participation in federally or state-approved registered apprenticeship programs and submission of certified payroll records.

For example, after the Indiana state legislature repealed its prevailing wage law, Lake County, Indiana, adopted a responsible bidder ordinance in 2015 and took action in 2022 to strengthen the law's apprenticeship standards.<sup>23</sup> In an interview with the author, Lake County Commissioner Michael Repay explained, "It's inherent that good public policy contemplate value for taxpayers, but you can't get to the heart of value if bidders aren't required to conform to good business practices—practices that are spelled out in our responsible bidder ordinance, including the training and welfare of workers."<sup>24</sup>



Research shows that these local ordinances have effectively limited the negative consequences of repealing a state-level prevailing wage law in Indiana. Compared with counties that have yet to adopt these standards, counties with responsible bid-der ordinances experience lower turnover and higher earnings for industry workers, and they do not significantly raise the costs of public investment.<sup>25</sup>

## **Raising local standards in the face of state opposition**

Local communities are at the forefront of enacting progressive reforms to ensure that government spending improves the lives of all residents. From Lake County, Indiana, to San Francisco, this report profiles jurisdictions across varying political geographies that are adopting practical solutions that support good value for taxpayers by supporting a stable, well-qualified local workforce.

Yet local government's power to boost communitywide wage and benefits standards above state and federal requirements is governed by state constitutions and statutes. State governments typically have the authority to preempt local governments' ability to legislate wage standards. Conservative groups such as the American Legislative Exchange Council often encourage state lawmakers to prohibit progressive local action.<sup>26</sup> In addition, some states have adopted bidding laws that may limit local government's ability to consider noncost factors in some types of contracts.<sup>27</sup>

Several states have preempted local jurisdictions from establishing contractor living and prevailing wage standards; project labor agreements; and local hire protections.<sup>28</sup> Yet other policies outlined in this toolkit – including carefully evaluating decisions to contract out; evaluating contractors for responsibility; and adopting incentives to raise workplace standards above the legal floor – are less likely to be subject to state-level preemptions.

Local officials should review state statutes before determining the best approach to raising standards in their communities and work to overturn these preemptions to ensure that state laws empower cities to innovate and experiment.

## **Adopt wage and benefit standards**

All too often, government spending on goods and services provided by private companies undermines the labor standards of high-road companies that pay decent wages and benefits. While many cities and states have established wage standards that cover some publicly supported work, most locations could extend these protections to more workers.

### ***Why should communities adopt this reform?***

Research shows that wage and benefit standards provide significant benefits to workers, boosting wages, increasing health care coverage, and narrowing racial and gender pay gaps.<sup>29</sup> In addition, contractor wage standards help support good value on public investments by boosting worker productivity, reducing turnover and injury rates, and increasing service quality and worker training, thereby ensuring a stable, well-qualified workforce.<sup>30</sup> In fact, these laws generate positive impacts for public budgets by increasing the work performed by local contractors, thus reducing the leakage of local dollars, boosting state and local tax revenues, and making workers less reliant on government programs.

### ***How does it work?***

Contractor wage standards include living wage laws and prevailing wage laws. Living wage standards—sometimes called contractor minimum wages—require public contractors, recipients of other types of government support, or heavily regulated industries to pay their workers nonpoverty wages and should also include minimum benefit standards requirements.<sup>31</sup> At last count, more than 120 cities and one state—Maryland—have living wage laws that require public contractors to pay their workforces a nonpoverty wage.<sup>32</sup>

Prevailing wage laws set wage and benefit rates based on market conditions, which are frequently higher than across-the-board minimum standards. Importantly, prevailing wage laws also establish a floor for government-funded work so that public contracting does not depress industry standards or discourage high-road companies from bidding on public contracts.<sup>33</sup>

### ***Elements of a successful policy***

State and local governments should:

- **Cover workers across sectors.** While prevailing wage laws most commonly apply to construction jobs, policymakers should extend them to more industries and types of work. For example, many governments apply prevailing wage mandates to service work, including building maintenance, security, and airport service workers. In addition, jurisdictions can help ensure that any state or local funds used to supplement new federal investments carry standards to ensure that construction and manufacturing jobs provide decent wages and benefits.
- **Apply wage standard laws consistently across government agencies and political subdivisions,** including quasi-public entities and all types of government funding, such as direct contracts, grants, loans, and tax incentives.
- **Adopt wage-setting requirements that uphold market standards.** To generate the strongest wages possible, policymakers should require employees to pay either the prevailing wage or a living wage, whichever is higher. In addition, governments have some discretion regarding methods of setting prevailing wage rates.

Prevailing-wage-setting mechanisms can ensure that contracting does not erode private sector standards by linking wage setting to frequently occurring rates and including review of survey data and collective bargaining agreements.

- **Require that employers provide decent benefits.** Cities and states should require covered employers to provide a certain amount toward an employee benefits plan or a cash equivalent. In addition, policymakers are increasingly requiring covered employers to provide essential benefits such as paid leave.<sup>34</sup>
- **Increase access to construction industry jobs through apprenticeship.** Policies should permit registered apprentices to be paid at a percentage of the total pay for journey-people and require employers who wish to take advantage of the lower rate to submit proof of workers' apprenticeship registration to ensure the program is high quality.
- **Stabilize service sector jobs when contracts are rebid** by requiring that any follow-on contractors maintain the existing onsite workforce and uphold wage and benefit rates that are at least as high as those mandated in the previous public contract.
- **Hold companies that violate prevailing wage provisions accountable.** Wage theft—where employers pay workers less than the law requires—is a widespread and serious issue for many contract workers.<sup>35</sup> Prevailing wage laws must include strong front-end review practices, such as use of pricing worksheets, to ensure that bidders are accounting for payment of prevailing wages in their overall bids. They should also track compliance through certified payroll requirements and promote vigorous enforcement through government agencies, individual rights to action, and partnerships with worker advocates to ensure that victims of wage theft know their rights and are willing to come forward.<sup>36</sup> Enforcement mechanisms should include penalties and potential debarment, which would prevent the most egregious violators from receiving contracts and other types of government funding for a specified period.

### ***Who is doing it right?***

The New Jersey legislature and several local jurisdictions have adopted wage standards that cover a range of projects receiving public support and for workers employed across several sectors, including public works, building services, and airport workers.<sup>37</sup> The state, for instance, requires the payment of construction prevailing wages for work undertaken with the support of various financial assistance programs administered or provided by the New Jersey Economic Development Authority, including loans, loan guarantees, grants, incentives, and tax exemptions.<sup>38</sup>

The New Jersey legislature also enacted the Healthy Terminals Act in 2021, establishing a health benefit supplement that covers service workers at airports to improve worker well-being, retention of experienced staff, and airport service and security. The law protects service workers employed by contractors of covered airports, airlines landing at the facilities, and concessions leaseholders; establishes a benefits supplement set to the federal enumerated benefit rate for service contract workers; codifies wage standards previously established by the Port Authority of New York and New Jersey; and create penalties for airport employers that violate the standard.<sup>39</sup>

In addition, several local jurisdictions have enacted standards that combine the best features of prevailing and living wage ordinances for building service workers. For example, the ordinance of Bergen County, New Jersey, requires that workers on building services, janitorial, and unarmed security contracts be paid the highest of the following:

- 150 percent of the federal minimum wage
- The hourly wage for work performed within the county under the collective bargaining agreement, covering the largest number of workers and at least 200 workers in a similar job category
- Or the hourly rate paid to workers under a preceding contract<sup>40</sup>

The ordinances also include robust mechanisms for enforcement, requiring recipients to maintain payroll records and annually certify compliance, ensuring that failure to comply with wage standards constitutes a breach of contract and providing workers a private right of action to recover back pay and benefits, attorneys fees, and costs.<sup>41</sup>

Learn more on how to structure strong prevailing wage standards <https://www.americanprogress.org/article/guide-strengthening-state-local-prevailing-wage-laws/>

## Certified payroll

Prevailing wage laws typically require contractors and subcontractors to certify their compliance with the standards on an ongoing basis and keep adequate payroll records. Government agencies and contractors typically purchase automated payroll reporting systems that track, for public infrastructure projects, who was paid at what rate and classification and how they were compensated. This helps guarantee compliance and alert the enforcement agencies where violations may be occurring at minimal burden and cost.<sup>42</sup>

Cities and states can also use these systems to ensure compliance with targeted hire programs by tracking the participation of workers from historically disadvantaged backgrounds. Doing so allows policymakers to take advantage of existing systems and monitor compliance in real time.

## Expand equitable access to high-quality jobs

Targeted hire and apprenticeship utilization standards help connect local workers from all walks of life to high-quality jobs and training opportunities on publicly supported projects, as well as benefit local contractors and labor markets by supporting a well-qualified workforce.<sup>43</sup>

### *Why should communities adopt this reform?*

For too long, women, people of color, and other historically marginalized groups have been excluded from construction and manufacturing opportunities.<sup>44</sup>

Registered apprenticeship, often used in the construction sector, is a pathway into these high-quality jobs that can help combat industrial segregation by combining classroom instruction with paid on-the-job training. Research shows that completion of an apprenticeship in the construction sector has earnings benefits commensurate with completion of a four-year degree.<sup>45</sup> Targeted hire and apprenticeship utilization standards can help overcome current shortages and long-term forecasts of a shrinking workforce caused by high retirement rates by ensuring a steady demand for well-qualified workers on publicly funded projects.<sup>46</sup>

### *How does it work?*

Apprenticeship utilization and targeted hire standards set goals or standards requiring that a portion of workers on a covered project participate in a registered apprenticeship program or are members of an identified group. Geographic targets range from an entire city or county to specific ZIP codes or neighborhoods. Hiring targets could include underrepresented workers based on characteristics such as gender, inclusive of transgender and cisgender women; race or ethnicity; disability; residency in a low-income neighborhood; youth exiting the foster care system; former incarceration; long-term unemployment; or veteran status.<sup>47</sup>

While the federal government historically limited federal grant recipients from adopting some of these sorts of targets, the Office of Management and Budget has proposed new guidance that would permit greater use of hiring goals and commitments.<sup>48</sup>

### *Elements of a successful policy*

State and local governments should:

- **Adopt apprenticeship utilization and targeted hire standards in tandem.**

Apprenticeship utilization standards help ensure sufficient training opportunities to support a well-qualified workforce, while local-hire requirements ensure that subsidized work draws new participants from local communities.

Learn more about apprenticeship utilization and targeted hiring <https://www.americanprogress.org/article/proven-state-and-local-strategies-to-create-good-jobs-with-ijia-infrastructure-funds/>.

- **Conduct construction demand forecasts and review existing workforce data to establish appropriate hiring targets.** Future demand for workers should be analyzed across covered projects at the occupational level. Policymakers should adopt geographic targets and hiring targets based on community needs.<sup>49</sup>
- **Support worker recruitment and retention.** Goals should be established focusing on the demographics of workers completing a project’s apprenticeship hours as well as total worker hours—including both apprentice and journey-level workers. These requirements should be tracked separately by trade or occupation to ensure that targeted populations are not directed exclusively into lower-wage jobs.
- **Prevent illegal harassment, discrimination, and toxic behaviors on work sites** from driving women, people of color, disabled individuals, and LGBTQI+ people away from construction and manufacturing careers. Policymakers should require high-quality bystander training to prevent harassment and discrimination and improve job-site culture.<sup>50</sup>
- **Expand targeted hiring standards to new industries.** While hiring targets are most common on publicly supported construction projects, the policies have been successfully adopted on projects manufacturing public and school transit vehicles and even on jobs for contracted services.<sup>51</sup>
- **Structure targets and reporting requirements to promote success.** Apprenticeship and targeted hire policies are most robust when set as a mandate with penalties for noncompliance. However, nonbinding hiring goals can also boost participation with proper monitoring and stakeholder involvement. Policymakers should require use of certified payroll tracking systems to monitor progress toward goals in real time and establish clear responsibilities for public agencies to achieve these goals.<sup>52</sup>
- **Strengthen stakeholder oversight by requiring detailed public reporting on programmatic success,** including hiring targets in project labor agreements and community workforce agreements (see below), as well as by establishing project-specific access and opportunity committees to monitor progress on equity goals for large public projects.
- **Create robust enforcement mechanisms,** such as hourly fines, for failure to meet goals, as well as stipulations that hiring requirements are part of the contractual obligations of the funding recipient.<sup>53</sup>

### *Who is doing it right?*

San Francisco has a local-hire policy that supports recruiting and retaining local residents and diverse populations. While the city’s local-hire policy was previously structured as a goal, advocates won reforms in 2010 to move to a mandatory system that significantly increased hiring targets and penalties for contractors and subcontractors that fail to satisfy local hiring requirements.<sup>54</sup>

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San Francisco requires local residents to complete 30 percent of a project’s total work hours and 50 percent of apprenticeship hours on municipal infrastructure projects and construction on city-owned land.

The city now requires local residents to complete 30 percent of a project’s total work hours and 50 percent of apprenticeship hours on municipal infrastructure projects and construction on city-owned land. San Francisco exceeded both goals in 2022, the most recent year for which data were available at the time of publication.<sup>55</sup> In addition, 25 percent of apprenticeship hours must be completed by disadvantaged workers, defined as residents who earned low incomes at the commencement of work, experienced barriers to employment, or came from a census tract with high unemployment.<sup>56</sup> The hiring policy helps guarantee high-quality placements for participants of the municipally operated CityBuild, a pre-apprenticeship program available to San Francisco residents, and other city certified pre-apprenticeship programs.<sup>57</sup>

To ensure compliance with local standards, San Francisco requires winning bidders to submit hiring plans for local and disadvantaged workers in advance of a project’s start. It also uses a certified payroll and contract software tracking system with automated reporting to troubleshoot problems at specific job sites and monitor progress toward citywide goals.<sup>58</sup> The city’s Office of Economic and Workforce Development works with contractors and subcontractors that are falling short throughout a project’s lifetime and releases an annual report tracking programmatic success by agency, trade, and project site and contractor, as well as overall racial, gender, and geographic diversity on city projects.<sup>59</sup>

### **Hold violators accountable**

Without adequate oversight and enforcement, even the strongest workplace protections are meaningless. This harms workers whose wages are stolen or who are not afforded access to good jobs, as well as the public at large. Research finds that when a contractor violates workplace laws, it frequently provides poor value to the public – with increased cost overruns, poor-quality construction, and even overcharging the government – and forces social safety net programs to subsidize illegal subminimum wages and wage theft.<sup>60</sup>

The policy recommendations included in this report contain various recommendations to support ongoing monitoring and stakeholder involvement. In addition, policymakers must ensure that all policies outlined in this report have robust consequences for violators – including monetary penalties, a private right of action and possible suspension and debarment – as well as provide enforcement agencies with robust funding and a responsibility to monitor work site compliance across the lifetime of a project.

Moreover, as policymakers adopt these sorts of reforms, they should follow the lead of several local jurisdictions that have funded worker organizations to help educate workers on their rights; confirm compliance; and help workers feel comfortable coming forward to report violations.<sup>61</sup>

The longest-running enforcement partnership in the country is in Los Angeles County, where the unified school district partners with trade unions to help enforce the prevailing wage laws on district projects.<sup>62</sup> Trained volunteers are authorized to inspect work sites and discuss compliance with workers. Multnomah County, Oregon, uses a similar program on public works construction sites.<sup>63</sup> And Los Angeles World Airports entered into an agreement with SEIU United Service Workers West to strengthen enforcement of the airports' living wage and retention policies by targeting city enforcement resources toward addressing labor violations at the airport; dedicating community outreach workers to the work site to help educate workers on their rights; and strengthening rules to remove irresponsible contractors from the airport.<sup>64</sup>

Evidence suggests that these sorts of ongoing enforcement partnerships have been effective in improving compliance and enforcement, and particularly in supporting immigrant workers and workers earning low incomes to assert their rights.<sup>65</sup>

## **Require project labor agreements and community workforce agreements**

Project labor agreements (PLAs) and community workforce agreements (CWAs) are powerful tools that help ensure a consistent supply of high-quality labor and avoid costly work stoppages due to labor disputes, meaning that projects can be delivered on time and on budget and are of high quality.<sup>66</sup> The agreements also improve job quality by creating enforceable standards that go beyond statutory minimums and can ensure that the investments benefit local workers from all walks of life.

### ***Why should communities adopt this reform?***

Research shows that despite creating a forum for workers to negotiate decent wages, PLAs do not increase overall project costs.<sup>67</sup> While PLAs have been used across the public and private sectors for the better part of a century, cities and states are increasingly advancing standards to make the agreements a requirement on all large infrastructure projects, as well as including provisions to ensure new generations of local residents have access to high-quality construction work.<sup>68</sup>



## *How does it work?*

Major construction projects are complicated, with dozens of employers managing thousands of workers, all completing work on different timelines. PLAs and CWAs are legally binding pre-hire contracts negotiated between workers and the entity responsible for managing a project that help harmonize complexity and reduce risk of project disruption with uniform standards and mechanisms to resolve disputes without resorting to lockouts or strikes.<sup>69</sup>

## *Elements of a successful policy*

State and local governments should:

- **Require adoption of a PLA or a CWA when funding or providing significant support to large-scale infrastructure projects.** For example, the federal government requires projects valued at more than \$35 million to have such an agreement in place.<sup>70</sup>
- **Create high-quality jobs with provisions governing compensation rates and working conditions,** such as working hours, health and safety standards; a dispute resolution mechanism; a no-strike, no-lockout agreement; and targets for the proportion of hours to be completed by apprentices.
- **Promote a stable, well-qualified workforce and help uphold local equity plans** by including hiring targets for groups—such as women, workers of color, and veterans—that have been historically underrepresented, as well as goals for local business subcontracting. As discussed in the section above, goals should address the demographics of apprentices on the job and workers overall (including both apprentice and journey-level workers).
- **Bring together relevant parties as signatories,** including the firm receiving the contract, a subcontracted construction manager, or the state or local government agency that will award the contract, along with workers who are represented by one or more local unions or the local building trades council.
- **Track progress and uphold accountability** through regular reporting on adherence to workforce requirements and the convening of access and opportunity committees (AOCs) that include stakeholders to monitor progress on equity goals for construction projects. AOCs bring together labor, communities, employers, government, and others on an ongoing basis to review reported, demographically disaggregated data on hours worked; identify contractors who are not meeting set goals; and make recommendations to ameliorate any problems.<sup>71</sup>
- **Limit exemptions to the PLA requirement.** Standards should presume that any project meeting the size threshold will enter a PLA or CWA. Any exemptions should be allowed only if approved by agency heads and require a public review and comment process.

### ***Who is doing it right?***

The Los Angeles County Metropolitan Transportation Authority (LA Metro) signed a PLA and a construction careers policy with local building trades in 2012 and renewed it in 2017. The PLA policy applies to a wide range of projects, including projects built with federal funds.<sup>72</sup> In addition to provisions for wages and benefits, hours, nondiscrimination, safety, and dispute resolution, the PLA sets strong standards for targeted hiring, with a requirement of 40 percent participation from workers from economically disadvantaged areas, 10 percent participation from disadvantaged workers, and 20 percent participation from apprentices.<sup>73</sup>

LA Metro adopted oversight mechanisms that ensure contractors meet utilization goals and allow public monitoring of hiring commitments for women, apprentices, and workers of color. The agency posts, by project, contractors' and subcontractors' letters of commitment to adhere to the PLA on its public website, as well as monthly reports on project hours completed by targeted workers.<sup>74</sup>

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As of December 2022, LA Metro had completed more than \$8 billion of construction on 49 projects covered by the PLA and exceeded hiring targets.

Moreover, LA Metro produces quarterly reports documenting overall progress toward these goals. As of December 2022, the agency had completed more than \$8 billion of construction on 49 projects covered by the PLA and exceeded hiring targets: 58 percent of work hours were completed by workers from economically disadvantaged areas, 21 percent were completed by apprentices, and 11 percent were completed by disadvantaged workers.<sup>75</sup>

### **Adopt incentives to raise workplace standards above the legal floor**

Some governments have developed ways in the contractor selection process to consider employers that create good jobs by evaluating applicants on their ability to meet job quality and equity goals. In this way, baseline requirements—such as wage standards and targeted hiring—can set the floor, while incentives for higher labor practices can help encourage companies to raise standards further. Doing so not only supports sustainable local economic development but also helps guarantee successful public investments by supporting retention of the skilled workforce necessary to support high-quality public works and services.

### ***Why should communities adopt this reform?***

Cities and states are gaining increasing familiarity with this approach as they act as bidders for new discretionary federal investment funds. This approach encourages innovation, facilitates meaningful partnerships with community and worker organi-

Learn more about successful project labor agreements <https://www.americanprogress.org/article/how-project-labor-agreements-and-community-workforce-agreements-are-good-for-the-biden-administrations-investment-agenda/>.

zations from project outset, and can be particularly useful to progressive policymakers in jurisdictions that may be unable to win a baseline worker requirement due to state-level preemption laws.

### ***How does it work?***

Government agencies frequently evaluate bidders' proposals based on various subjective criteria, such as the strength of a bidder's technical ability and past performance record, as they seek contractors that will provide the best value for taxpayers, not simply the lowest price.<sup>76</sup> These agencies should use the same system to evaluate applicants for government support and contracts on the quality of their workplace practices. Basing bidders' scores in part on the quality of workplace practices, along with other criteria, can increase the likelihood that companies with better practices will win contracts and help motivate other companies to improve working conditions.

### ***Elements of a successful policy***

State and local governments should:

- **Evaluate workplace practices as part of bidders' overall score.** When evaluating bidders' proposals, government should give significant weight—equivalent to performance record, for example—to those employers that demonstrate attainment of high-road goals.
- **Provide clear and consistent definitions of policy goals and preferences for policy mechanisms that support workforce continuity and high standards.** Policies and guidance that name specific interventions—such as provision of benefits or participation in project labor agreements; local, targeted, or economic hire ordinances; registered apprenticeships; community benefits agreements (a contract between a developer and community stakeholders representing residents' interests); and pre-apprenticeships—will be more successful than a vague reference to efforts to create high-quality jobs and support diversity.
- **Require letters or agreements with labor and community groups and educational institutions to describe project and organizational commitments and provide details on each partner's specific role.** For example, community benefits agreements and U.S. Employment Plans can facilitate agreements between project owners and community stakeholders to support job quality and access to production and service jobs created through investments' lifetimes, as well as other community-specific goals.<sup>77</sup>
- **Create guidance and training for awarding agencies on how to encourage best practices, evaluate workplace standards, and define roles for labor agencies in providing training and support.** For example, the government should develop guidance explaining how labor peace agreements can be used to prevent labor disruption and support high-quality public services on contracts and grants.<sup>78</sup>

In addition, project-owner capacity can be built with resources, guidance, and hands-on technical assistance to achieve desired workforce outcomes.

- **Monitor funding recipients' workforce outcomes through ongoing reporting requirements, and hold recipients who fail to live up to commitments accountable.** In addition, policymakers should make workforce commitments public and incorporate these commitments into agreement language so that failure to meet job quality, training and access standards constitutes a breach of contract.
- **Consider whether incentives can play a role in improving job standards beyond the contracted workforce.** Cities and states can encourage employers to improve job standards broadly by evaluating job quality across a bidder's entire workforce within the jurisdiction, rather than evaluating only standards for contracted workers.

### *Who is doing it right?*

Several local jurisdictions—including El Paso, Texas; San Jose and Los Angeles, California; Chicago; Atlanta; and New York—have enacted incentives on government spending to raise workplace standards above the legal floor, ranging from incentives to provide specific benefits such as paid leave, medical benefits, and adequate assurances of labor peace to evaluation of bidders' detailed plans for the number and type of jobs created and retained as well as details on pay, benefits, career pathways, and access.<sup>79</sup>

However, the federal government recently embarked on the most significant effort to date to incorporate incentives for high-road employers across various spending programs. As discussed above, the Inflation Reduction Act, the IIJA and the CHIPS and Science Act are awarding billions of dollars in new funds that incentivize state, local, and private sector applicants to answer critical questions on how the jobs created through the spending will support equity and job quality.<sup>80</sup>

Approaches to these incentives vary by awarding agency and funding stream. Typically, new proposals for discretionary funds must include specific details on existing labor market conditions and how the jobs created through the spending, including construction and production jobs, will meet or improve conditions for workers in that area.<sup>81</sup>

For example, the U.S. Department of Energy requires fund applicants to create a community benefits plan to “attract, train, and retain a skilled and well-qualified workforce”—and prompts applicants to provide details on factors including whether new jobs will be covered by a collective bargaining agreement and whether wages will be above the regional median and benefits will be offered, as well as whether the applicant will provide workforce education and training through registered apprenticeships or other sorts of labor management partnerships; negotiate a PLA or CWA; and hire local, disadvantaged, or underrepresented workers.<sup>82</sup>

Previously, the federal government rarely reviewed job quality and workforce equity metrics in depth. Now, funding agencies are building capacity by increasing the amount of staff members who have area expertise; establishing labor-focused offices and guidance; signing memoranda of understanding with the U.S. Department of Labor; and convening panels of labor, workforce training, and equity experts to review funding proposals.<sup>83</sup> Cities and states considering adopting similar incentives should draw on the materials and guidance being developed as part of this effort.

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## Conclusion

Pro-worker policymakers have significant opportunities to harness the momentum sparked by the Biden administration's investment agenda and strengthen their own standards for workers, across all sectors, whose jobs are government funded. These historic federal investments, coupled with the innovations of state and local governments to raise standards for workers, will improve the lives of working people across communities, increase participation among workers from all walks of life, grow the middle class, and ensure that government investments provide good results for the public.

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