

EXECUTIVE SUMMARY

The current surge in downtown Milwaukee development has been called “unprecedented,” with estimates placing the cumulative value of projects being built or planned for the near future at more than \$3 billion.¹ Yet, one of the uncertainties that still remain is the potential to spread these economic benefits to the low-income neighborhoods that surround the downtown area and to the residents who live there. Can this opportunity translate into substantial numbers of job opportunities for low-income Milwaukee residents? Are the right policies and programs in place to do so?

To help answer those questions, the Public Policy Forum embarked on a research project that examined the City of Milwaukee’s Residents Preference Program (RPP) and other similar programs in the region and across the country that link public sector investments with construction jobs for city residents. Those strategies – often referred to as “targeted hiring” programs – require that specific hiring requirements are met for public works and private development projects that are supported with public funds.



Northwestern Mutual’s new tower rises in downtown Milwaukee.
[Photo by Tom Held of the Milwaukee Business Journal]

Last November, in response to concerns raised by community leaders about the administration of the RPP, the mayor formed the Workforce Organizational Reform Committee, which is charged with improving RPP operations.² While we are confident that committee will produce improvements to program administration, this report tackles the issue from a broader policy perspective. Given the high rate of unemployment in Milwaukee and the level of development activity taking place in the city, now is the time to ask whether the city’s targeted hiring programs truly align with its policy goals and with its most pressing workforce development needs.

PURPOSE OF TARGETED HIRING PROGRAMS

The objective of targeted hiring is to leverage public investments to generate employment opportunities for city residents. Construction projects make up a sizable share of local government contracts. By requiring that a certain share of the jobs created by those projects are directed to targeted populations, a city or other local unit of government can contribute to increased employment among its residents, which in turn can strengthen the local workforce and have positive effects on families and neighborhoods. Often, targeted hiring programs also are designed to reduce racial and economic disparities by focusing specifically on disadvantaged or underrepresented populations and/or the unemployed or underemployed.

While targeted hiring programs aim to connect eligible workers with immediate job opportunities, another primary objective often is to open up long-term career opportunities for targeted populations. Providing career-building opportunities in the construction trades presents a unique set of challenges, however, as targeted hiring programs must coordinate with long-established union training and apprenticeship practices that vary from craft to craft.



MILWAUKEE’S RPP AT A GLANCE

The City’s RPP was adopted by ordinance (Chapter 309-41) in 1991. At its inception, the program required that at least 14% of the hours worked on public works contracts – including street, sewer, and building improvement projects – were completed by city residents living within areas of the city eligible for Community Development Block Grant funding, where poverty and unemployment were overwhelmingly concentrated.³ Most residents of those neighborhoods were African American or Latino.

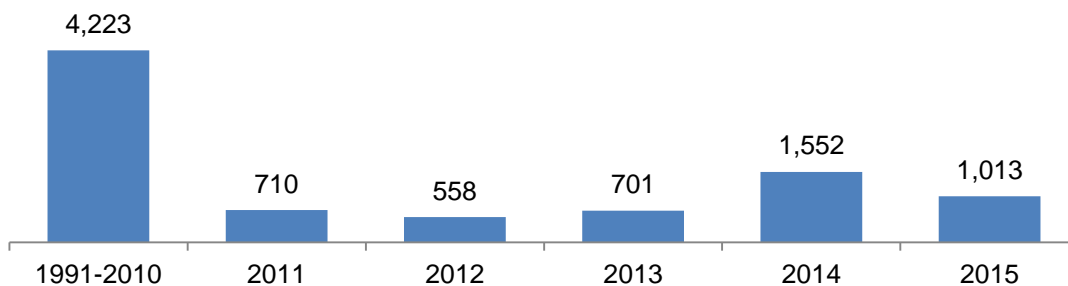
The primary goal of the program was clear at the outset: to increase employment opportunities for unemployed and underemployed individuals living in distressed neighborhoods. Eligibility requirements specified that individuals had to have been unemployed for the previous 30 days or to have worked less than 1,000 hours in the previous 12 months to become RPP certified.

Significant changes to the RPP took place in 2009, which broadened the program in several ways.⁴ The resident participation requirement rose to 40% and eligibility was broadened to include individuals residing anywhere within the city who met the program’s unemployment, underemployment, or income criteria. Through the creation of Chapter 355, the RPP also was expanded to apply to private development projects that received at least \$1 million in direct financial support from the City. Direct financial support could include grants, below-market land sales or loans, or funds provided through tax incremental financing (TIF).

RPP PROGRAM OUTCOMES

According to DPW data, 8,757 individuals are RPP-certified currently, including 4,534 who have become certified in the last five years (52%). As **Chart 1** indicates, there was a spike in the number of workers who became certified in 2014, which corresponds with a community effort to certify more individuals to meet the needs of the industry during a period of increasing development.

Chart 1: Number of individuals who became RPP-certified, by year



A relatively small percentage of the individuals who are RPP-certified have obtained employment on City-supported construction projects in recent years. For example, 1,426 RPP workers were active on public works projects between 2010 and 2015. Similarly, only 411 RPP workers were active on City-supported private development projects in 2014 – the most recent year for which data are available.

Yet, it appears that most construction projects are meeting their RPP requirements when mandated by city ordinance or through a development agreement. For example, for all public works contracts closed between 2010 and 2015 that included RPP requirements, RPP workers accounted for 48% of the 335,732 total hours worked, exceeding the 40% requirement.



The RPP has had a very limited impact on private development projects to date, however. Since 2009, only five development projects have fit the parameters laid out in Chapter 355 and thus been required to meet the 40% resident participation requirement (**Table 1**). Among them, only Schlitz Park is fully complete. According to City data, 42% of the hours worked on the infrastructure portion of the Schlitz Park project were completed by RPP workers – surpassing the 40% requirement. Final RPP reports are not yet available for any of the other projects.

Table 1: Private development projects required to meet Chapter 355 standards

Development Project	Project Budget	City Contribution	Project Status	(Expected) Completion
Schlitz Park Project (Infrastructure)	\$1.6 million	\$1.6 million	Complete	2014
Posner building (MKE Lofts Downtown)	\$24 million	\$2.5 million	Nearly complete	2016
Century City 1 building	\$4 million	\$700,000+ ⁵	Nearly complete	2016
Zurn headquarters	\$15 million	\$1.9 million	Under construction	2016
Northwestern Mutual tower	\$450 million	\$54 million	Under construction	2017

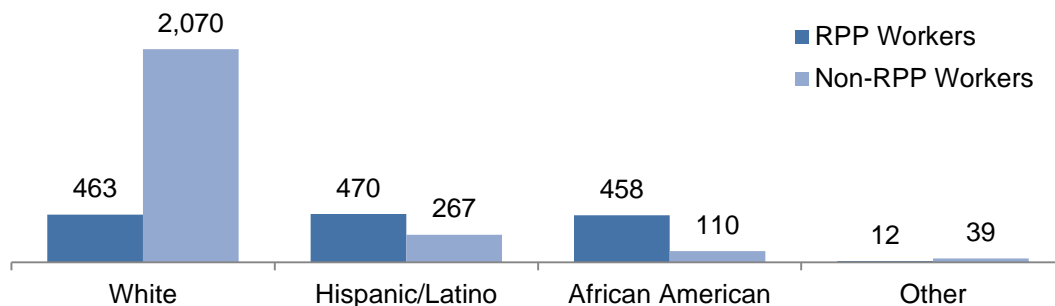
Several additional development projects initiated since the ordinance went into effect have involved significant City investment but have not been subject to Chapter 355 requirements. Those projects were not covered by the ordinance for several reasons that varied by project. Some projects received less than \$1 million in City assistance, for example, while others involved City investment in public infrastructure to facilitate new development, but not direct assistance to the new development itself.

While not covered by Chapter 355, many of those projects did include RPP requirements or goals that were negotiated between DCD officials and the developer when they entered into a development agreement. In some cases, RPP *requirements* were built into the development agreements. In most cases, however, the agreements called for “*best efforts*” to be made to meet the goal. Our research indicates that projects subject to an RPP requirement generally achieve significantly higher RPP participation than projects working under “*best efforts*” agreements.

Overall, our analysis shows that while the reach of the RPP to private development projects has been limited to date, changes in the ordinance language and the application of Chapter 355 could expand its impact, particularly as the pace of development expands in the next several years.

Race/Ethnicity of Workers - Our analysis of RPP data finds that a majority of the RPP-certified workers who were active on City of Milwaukee public works projects between 2010 and 2015 were racial minorities. As **Chart 2** shows, two-thirds (67%) of the 1,403 RPP workers active on those projects were racial minorities, compared with only 17% of the 2,486 non-RPP workers.⁶

Chart 2: Race/ethnicity of active workers on public works projects, 2010-2015



Since only one completed development project was required to meet the RPP standards mandated by the City's ordinance, we examined 10 additional completed projects with negotiated resident participation requirements or goals to understand the population they had employed.⁷ Among 390 RPP workers who were active on those projects, 37% were white, 34% were African American, and 29% were Latino.



Entry-level RPP workers are involved in fabrication work for the Northwestern Mutual Tower & Commons project. [Photo by Tom Held of the Milwaukee Business Journal]

The racial demographics of the RPP workforce now generally reflect those of the City's overall working age population (40% white, 37% African American, 16% Latino, 6% other⁸), suggesting that the population served by the program includes a smaller proportion of racial minorities since it was expanded citywide in 2009. Also striking is that despite the disproportionate rate of joblessness among Milwaukee's African American population, there are roughly equal numbers of whites and African Americans who are served by the RPP.

Apprenticeships - Apprenticeships are the primary means of building a career in the construction trades. Although city ordinances require contractors to utilize apprentices based on the maximum apprentice-to-journeyman ratios established by the State of Wisconsin for each trade, very few RPP workers who have been active on recent City-supported construction projects have been engaged in apprenticeship programs.

For example, only 4.5% of RPP workers who were active on public works projects between 2010 and 2015 were employed as apprentices. (Non-apprentices include journeymen and entry-level workers not engaged in apprenticeship programs.) While they could not provide specific numbers, DPW officials confirmed that large numbers of entry-level workers are employed on public works projects as general laborers and landscapers, though most are not apprentices. Likewise, only 14 of the 411 RPP workers who were employed on private development projects in 2014 were apprentices or were participating "in an on-the-job training program."⁹ That amounts to just 3.4% of those workers.

By comparison, one apprentice laborer is allowed for every three journeymen laborers based on the State's maximum ratios, meaning up to 25% of the laborers on these projects could be apprentices if contractors were maximizing their use. Over the past five years, however, less than 5% of the RPP-certified laborers who were active on those projects were apprentices.¹⁰

RPP ISSUES & CONCERNS

Our analysis of the design, administration, and recent outcomes of the RPP reveals several important issues that City leaders striving to improve the program should deliberate. Several of those issues are summarized below.

Target Population - A key challenge is agreeing on the RPP's target population. Should the program be open to all city residents, or should it be targeted specifically toward individuals who are unemployed, residing in distressed neighborhoods, racial minorities, or otherwise disadvantaged?



It is important to note that if City leaders wished to establish hiring requirements based on race, gender, and/or city residency alone, then the City Attorney's office would need to further explore their legal parameters.

Projects Covered by the RPP - For a variety of reasons, very few development projects have been required to follow the City's Chapter 355 ordinance. With the surge in development currently taking place, there is potential for the RPP to have a greater impact if eligibility criteria are modified such that the program applies to more projects.

Project Requirements - Currently, it is expected that RPP workers will account for at least 40% of the hours worked on all construction projects covered by the City's ordinances. Several individuals we interviewed noted that since the economy and workforce are dynamic entities, maintaining a 40% requirement for all projects regardless of labor market conditions and development activity may not be the best approach.

Apprenticeships - Several issues emerge regarding the proper role of the RPP in encouraging apprenticeships. For example, because City ordinances do not require contractors to utilize apprentices who are RPP-certified, apprentices can be suburban residents and still fit the current design of the ordinance. Our analysis of six recent development projects found that only nine out of 49 active apprentices were RPP-certified (18%).¹¹

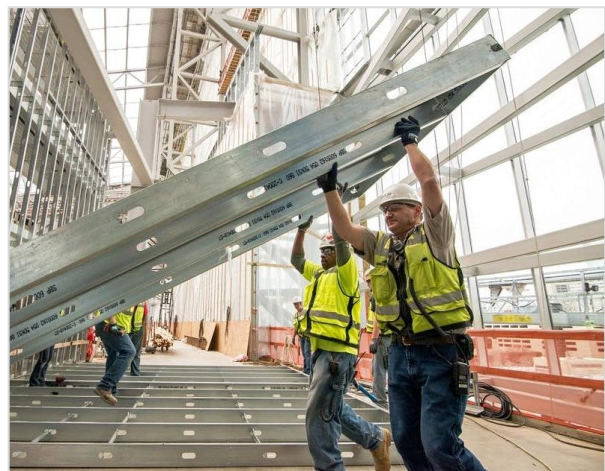
Impact on Contractor Costs - Although the RPP currently is not focused exclusively on entry-level workers, the added cost that can be incurred to train and employ entry-level workers on complex development projects is another issue that arose in our research. Simply put, entry-level workers are not as productive as experienced journeymen, and construction project timelines have become more and more compressed in recent years to maximize efficiency. Thus, the goal of strengthening the local workforce needs to be balanced with project cost and safety concerns.

Program Budget - No City funds are directed specifically to the RPP, so program administration is carried out by City departments and partner agencies within the context of their existing budgets. Efforts to significantly expand the scope of the program likely would require new funding.

NATIONAL BEST PRACTICES

Milwaukee is far from alone in its efforts to increase employment opportunities for low-income city residents through targeted hiring. Numerous local governments across the country have developed programs with similar aims. The following is a summary of best practices for effective targeted hiring gleaned from a review of national research.

Set Clear and Realistic Goals – National research has found that targeted hiring programs that have specific hiring requirements or goals are more effective than those that do not.¹² However, establishing a goal(s) is not enough; those goals also should be carefully conceived and tailored to



The City of Minneapolis has race- and gender-based hiring goals that are being met for the Vikings Stadium project. [Photo by Ted Baker of MPR News]

the community.

Since goal setting reflects local conditions, a city that sets a high goal for a particular targeted group is not necessarily more ambitious or successful than a city with a lower goal for the same group. Differences in labor markets, in fact, may make a higher goal easier to obtain. The real measure of success is how many more targeted workers a city is adding to the workforce through its program.

One complication is that local labor conditions vary over time. What may be a suitable hiring requirement or goal for a particular group or a particular project at one point in time may be inappropriate a few years later or for a more specialized project. Cities need to have the ability to make adjustments in the setting of goals that respond to local circumstances and are supported by the various stakeholders and the public at large.

Integrate Targeted Hiring into a Larger Workforce Development Framework - It is not a coincidence that cities with well-regarded targeted hiring programs also have excellent workforce training programs and linkages between job recruitment, training, and placement. Studies have shown that when a targeted hiring program works in concert with other parts of the workforce development system, better results are achieved.¹³

Even when local governments establish targeted hiring policies and goals, contractors and union halls retain their central roles for hiring workers. Consequently, there should be an institutional structure to integrate the recruitment and referral of targeted workers into established hiring procedures. The need for such a structure is especially strong when those targeted are from underrepresented groups that historically have not had easy access or experience in construction work.

First-source, which requires that all new job openings and referrals for job hires on qualifying projects go through a city office or its designee, can be an effective means of linking outreach and referral with targeted hiring. Successful first-source programs have the resources to recruit (often in partnership with community organizations) and to refer prospective candidates for ongoing projects.

Inform, Educate, and Actively Collaborate with Stakeholders - National studies of targeted hiring agree that programs are more effective when all stakeholders (city officials, contractors, and union officials, as well as staff from community organizations and workforce agencies) understand and respect one another's interests and coordinate their activities. Examples are given of cities, such as Denver, where targeted hiring suffered setbacks because program operations and requirements did not sufficiently consider local union and contractor interests and hiring procedures.

To promote interaction among stakeholders and improve program performance, a number of cities have created general oversight bodies. For example, the City of San Francisco has a Construction Workforce Advisory Council that reviews compliance and other program matters. The Port of Oakland's Social Justice Council has even broader responsibility, as it reviews analytical reports, refers complaints, and makes program and funding recommendations.

Develop Effective but Reasonable Compliance Systems - National studies have found that the most successful targeted hiring programs have effective, active enforcement, and are properly staffed.¹⁴ These studies commonly speak of the need for program enforcement to be "rigorous" and "predictable," though they also advise that penalties and legal sanctions should be "astutely used" and "actually applied."¹⁵



These somewhat contradictory aims reveal an underlying tension between the need for close cooperation among all stakeholders and the need to monitor and enforce contract standards and hiring goals. Effective programs are able to mediate these tensions.

Offer Long-Term Job Opportunities through Apprenticeships - To promote career development in the construction trades, many targeted hiring programs promote apprenticeship utilization and facilitate the efforts of local workforce organizations to train, refer, and place community members in apprenticeship programs.

Various strategies bolster the use of apprentices. For example, the City of Madison requires all contractors who have five or more craft workers to sponsor an approved apprenticeship program, while other cities require all contractors to hire apprentices at the maximum level permitted under state law. Another approach is to specify that apprentices be used for specified percentages of the hours worked on a project.

BEST PRACTICE AND MILWAUKEE'S RPP

While no city has a flawless targeted hiring program, some are frequently cited for effectiveness. It cannot be assumed that what works in one city is reproducible in another; in fact, all studies of targeted hiring emphasize that successful programs adapt to local conditions and needs. Still, comparing characteristics and practices of Milwaukee's RPP with those of other effective programs is useful in noting points of alignment and difference. We conduct such a comparison in **Table 2**.

Table 2: RPP and National Best Practice at a Glance

Best Practice Category	Where the RPP Aligns	Where the RPP Differs
<i>Targeted Groups & Requirements/Goals</i>	Specific percentage requirement for resident participation; requirement articulated in terms of hours worked, not persons employed	One group targeted; no goals for underrepresented workers; use of individual unemployment criteria such as 30 days of consecutive unemployment
<i>Program Scope</i>	Most public works projects covered	Most development projects not covered
<i>Integration with Workforce Development</i>	Involvement of WRTP/BIG STEP	No first-source program; no assessment of RPP applicants' skills and background
<i>Apprenticeships</i>	City ordinances require that contractors maximize apprenticeship usage based on State ratios	No goal for hiring apprentices from targeted groups; no requirement that contractors sponsor apprentices
<i>Collaboration Among Stakeholders</i>	Growing stakeholder interest; Northwestern Mutual project exhibits effective collaboration	Confusion among stakeholders about program requirements and purpose; no stakeholder advisory or consultative body
<i>Administration/Monitoring</i>	Use of electronic software for submitting/monitoring worker data; compliance and program staff; annual reports, periodic audits	Questions remain about whether the city has an "active compliance system"



CONCLUSION/RECOMMENDATIONS

Our research findings raise a number of policy issues that City leaders should consider in their efforts to improve the Residents Preference Program. We highlight several of the most significant issues below and present recommendations on how to resolve them.

Establish participation requirements or goals for more than one target population.

While the prevailing sentiment is that the City needs to choose one target group for the RPP, our best practice research suggests that such a choice may not be necessary. Rather, Milwaukee could follow the lead of many other cities and establish distinct participation requirements or goals for more than one targeted group. For example, a stand-alone participation requirement could be established for city residents, with separate requirements/goals for minority workers, low-income residents, and/or residents from distressed zip codes. As noted earlier, if Milwaukee policymakers wish to pursue such an approach, they would need to work closely with the City Attorney's office to consider their legal parameters.

Expand the RPP to cover more projects.

The RPP is being applied to most of the City's public works construction contracts, but has had a much more limited impact on City-supported private development projects to date. While the strengthening economy and increased pace of new development likely will result in more development projects being covered by Chapter 355, there are a variety of changes that could be considered to further broaden the impact of the program.

One option would be to lower the eligibility threshold such that projects receiving less than \$1 million in City funding would fall under the RPP. In addition, it may be possible to expand the RPP to contracts carried out by other City departments, such as the Department of Neighborhood Services.

Strengthen the role of the RPP in expanding access to apprenticeships and long-term career opportunities in the construction trades.

Most of the "best practice" programs we examined are utilizing strategies to increase apprenticeships that Milwaukee should consider. Those strategies include requiring contractors who wish to bid on City construction contracts to sponsor apprenticeship programs; and requiring a certain percentage of apprentices to come from targeted populations, such as city residents, residents of distressed zip codes, or non-traditional workers.

Align the RPP more closely with the broader workforce development and placement system.

The RPP certification process currently does not involve assessing applicants' aptitude or experience in the construction field, or steering them toward the training they need to qualify for entry-level work on union construction jobs or for apprenticeships. One approach to addressing these concerns would be to fully establish a first-source employment program for all construction projects with RPP requirements. The strength of this approach is that targeted hiring applicants are screened (and potentially trained, if necessary) before they are referred to contractors, which assists contractors while helping to achieve program objectives.



Consider establishing a public-private stakeholder advisory committee to guide the RPP.

Best practice research shows that targeted hiring programs should have the strong and active support of all stakeholders, including contractors, labor groups, workforce development agencies, and community organizations. Our review of national research also shows that some aspects of targeted hiring, such as goal setting, need periodic assessment since the pace of development and labor market supply constantly are changing.

With those objectives in mind, some effective programs have established a committee of stakeholders to advise city government on program development. The City of Milwaukee should consider a similar approach.

Explore opportunities to coordinate the RPP with other local targeted hiring programs.

Our review of other targeted hiring programs in the Milwaukee area shows that eligibility requirements vary from program to program, resulting in a complicated system to navigate for both workers and contractors. With the City of Milwaukee and Milwaukee County currently reviewing their program designs, however, it may be possible to align eligibility requirements more closely. In addition, given WRTP/BIG STEP's existing role in certifying workers for several programs, it may be possible to expand its role to all local targeted hiring programs, which would strengthen and streamline the certification process for local workers.

Finally, we acknowledge that the City of Milwaukee's resources are limited and that many of the potential changes discussed above would require funding and time to implement. While it may not be possible for the City to fully address all of these policy issues in the near future, City leaders should prioritize the program changes they deem most critical and establish a plan for financing their implementation.

¹ Kass, Mark. *Big names, much promise at Downtown Milwaukee Renaissance event*. Milwaukee Business Journal. September 16, 2015. <http://www.bizjournals.com/milwaukee/blog/2015/09/big-names-much-promise-at-downtown-milwaukee.html>

² Spicuzza, Mary. *Tom Barrett gets chance to bolster city development program*. Milwaukee Journal Sentinel. November 24, 2015. <http://www.jsonline.com/news/milwaukee/tom-barrett-gets-chance-to-bolster-city-development-program-b99622331z1-353201491.html>

³ A current map of the CDBG-eligible areas of the city can be found at the link below. (The City's NSP program serves the CDBG-eligible areas of the city only.) <http://city.milwaukee.gov/ImageLibrary/User/isteve/CAPER/NSPMap.pdf>

⁴ City of Milwaukee. Legislative Research Center. <https://milwaukee.legistar.com/LegislationDetail.aspx?ID=166224&GUID=EE799A62-41BD-48D4-BE60-32ECAADA93BA>

⁵ The City's contributions included \$400,000 from the Century City Redevelopment Corporation and \$300,000 from the Redevelopment Authority of the City of Milwaukee (RACM). In addition, the City spent millions of dollars on pre-development work on the larger Century City redevelopment site, which brought the total for this project to over \$1 million.

⁶ There were a total of 1,426 active RPP-certified workers but DPW's data only included race/ethnicity data for 1,403.

⁷ These were the only projects for which we had complete race and zip code data from the City. Projects include Florida Lofts/Brix Apartments, The Moderne, North End Phase II, Reed Street Yards, Rishi Tea, Schlitz Park (infrastructure improvements), Schlitz Park (building improvements), Solaris, Standard @ East Library, and UWM School of Public Health.

⁸ U.S. Census Bureau. American Community Survey 3-Year Estimates 2011-2013. Figures only include individuals ages 16 to 64.

⁹ City of Milwaukee Office of Small Business Development. *2014 Annual Residents Preference Program Participation Report*. October, 2015. Accessed via the Legislative Reference Center.

<https://milwaukee.legistar.com/LegislationDetail.aspx?ID=2468735&GUID=393F5BCF-9896-4913-9D72-E4A8CA7ACD98>

¹⁰ While our analysis includes all public works projects during the 2010-2015 timeframe, we acknowledge that many public works projects are small and less conducive to apprentice utilization than larger construction projects.

¹¹ These were the only completed projects for which the City provided complete apprenticeship data. The projects are: Florida Lofts/Brix Apartments, Reed Street Yards, Rishi Tea, Schlitz Park (infrastructure improvements), Schlitz Park (building improvements), and Standard @ East Library.

¹² Sulafi, Suafai and Tarecq Amer. National Economic Development and Law Center. 2005. The findings of this study are summarized in For Working Families' report on the City of Denver's program and discussed in Katrina Liu and Robert Damewood, *Local Hiring and First Source Hiring: A National Review of Policies and Identification of Best Practices*, which was prepared for the Pittsburgh City Council. <http://rhls.org/wp-content/uploads/First-Source-Hiring-Overview-RHLS.pdf>

¹³ For Working Families. *First Source Hiring: Overview and History of Denver's First Source Policy*. (No date.)

¹⁴ For Working Families. *First Source Hiring: Overview and History of Denver's First Source Policy*. (No date.)

¹⁵ Liu, Katrina and Robert Damewood. October 2013.

