

*Local Hire Construction
Industry Study
January 28, 2019
Item (d) 3*

Background

- Council Priority #2
- October 17, 2017- CED Committee accepted update on Labor Market Study and directed staff to submit an information memorandum to clarify scope of work
- November 16, 2017- PW provided information memorandum on the inclusion of private construction and demographic data collection
- Craft Consulting Group

Scope of Work

- Assessment of construction employment patterns in the Region through data collection and analyses;
- Identify opportunities and provide recommendations to encourage greater participation by San Jose-area residents;
- Review and analyze policy, funding and implementation strategies for local hiring;
- Report of all findings including an Executive Summary and a detailed report, including best-practice.

Private Construction

- Private Construction are under no obligation to provide access to personnel and payroll
- Staff contacted multiple private construction companies for access to data.
- Staff has developed a strategy to obtain this information, including, employee surveys, focus groups, and potential requirement of developers in the Downtown High-Rise Incentive Program.

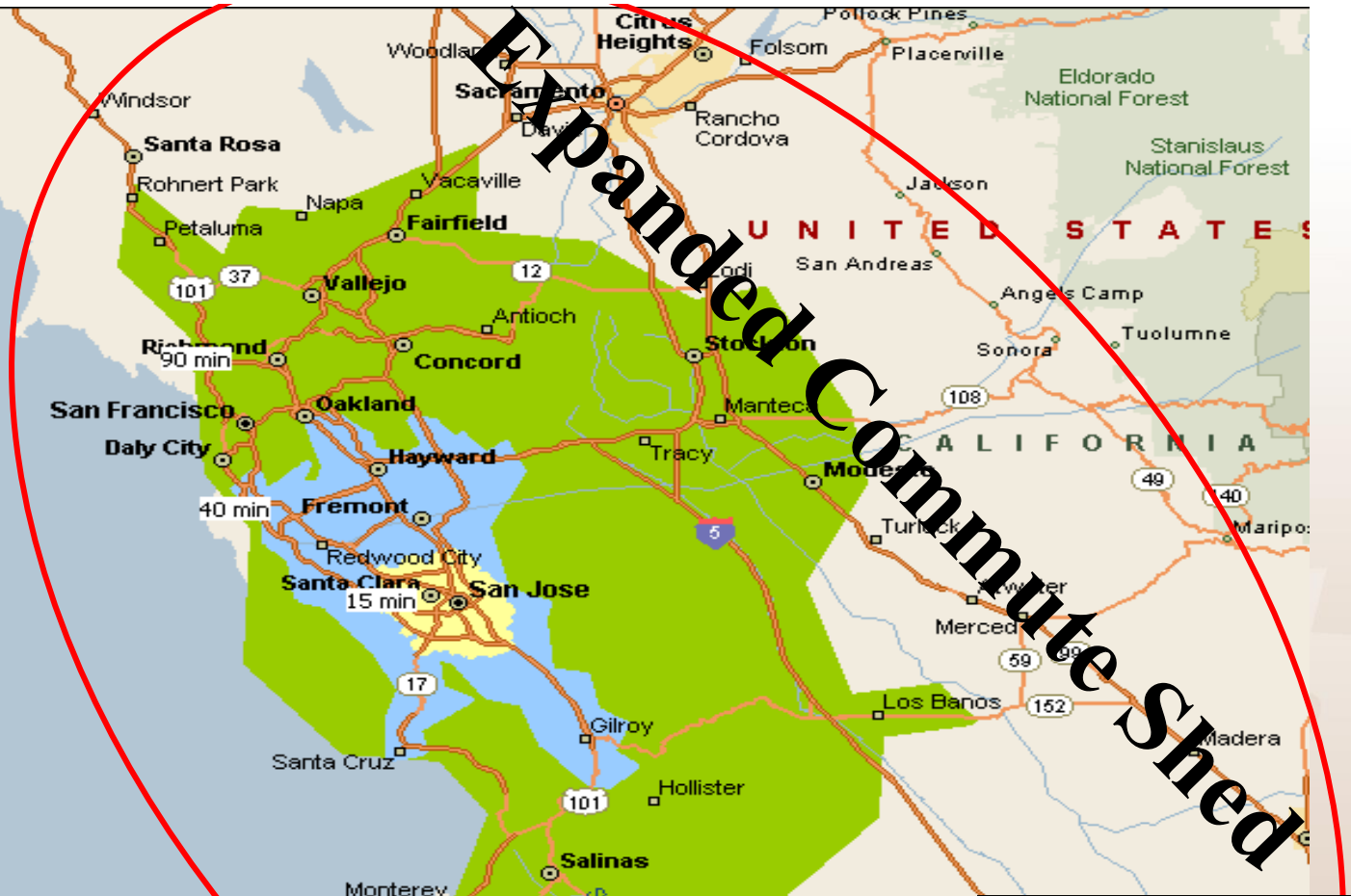
Purpose of Study

Conduct Labor Market Analysis of the San Jose construction industry to determine:

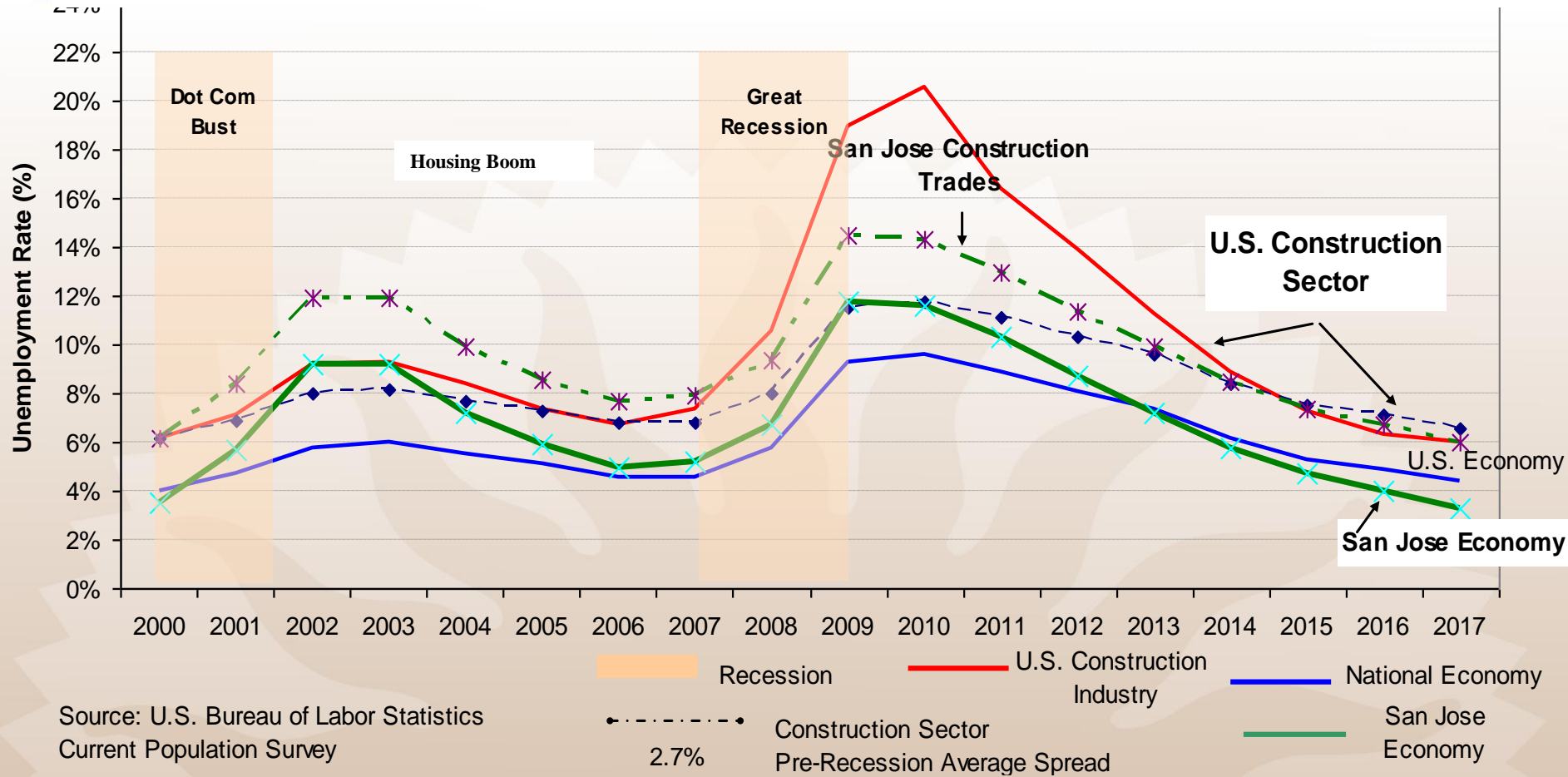
- 1) whether a problem exists that would justify the creation of a “Local Hire Policy”, and if so,
- 2) what is the appropriate policy option for the City of San Jose.

Evidence of the Problem

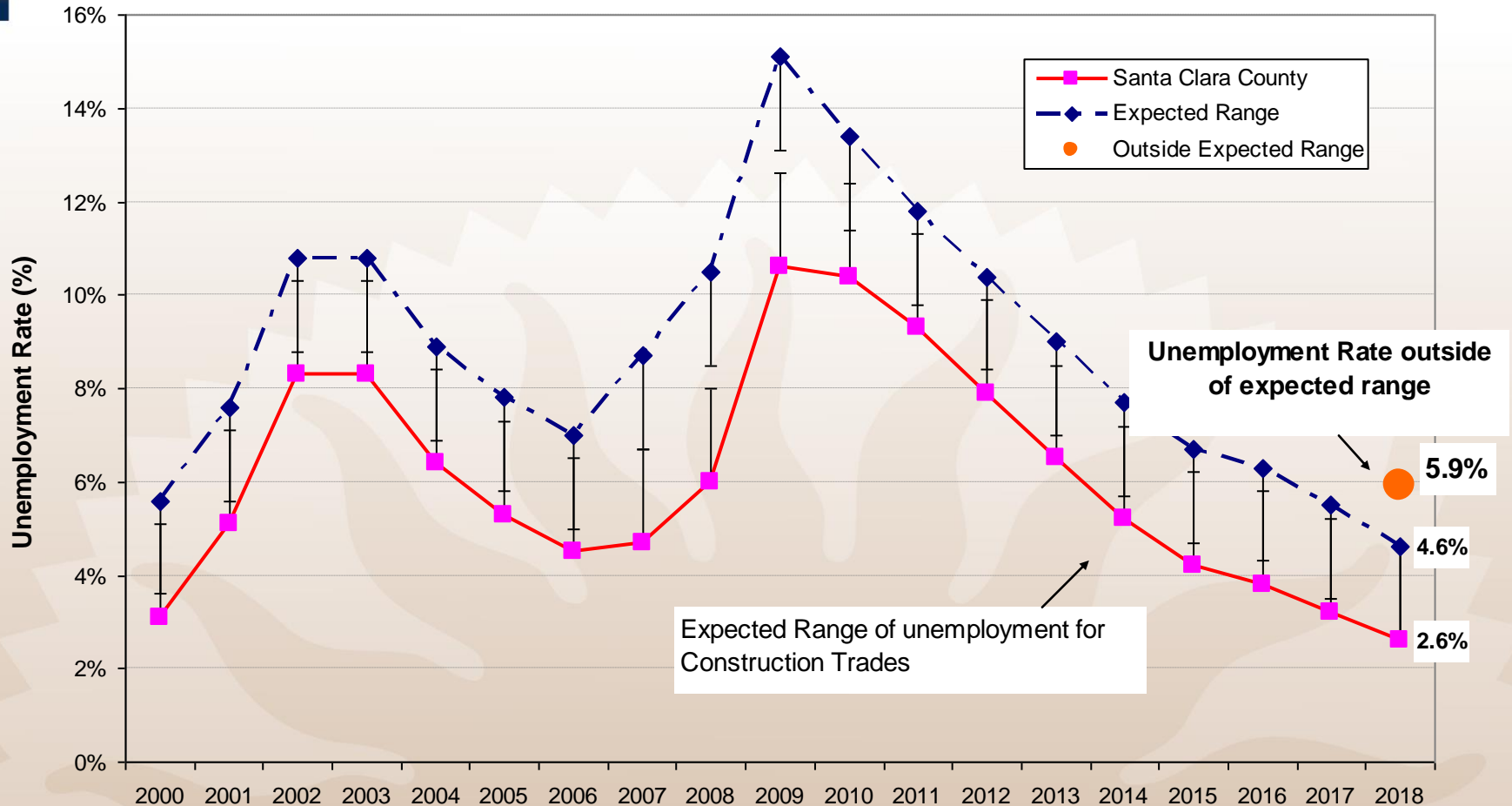
- Unemployment in the local construction industry is higher than the Nation's overall construction industry; the local construction industry unemployment rate is outside the expected range.
- There are more construction trade workers living in San Jose than construction jobs.
- Commuters from outside the regional labor market are employed in local construction jobs that the resident workforce could fill.
- The classifications above “laborer” which require additional training such as electricians, carpenters, etc. appear to have the largest imbalance, where more workers are coming from outside the region.
- Contractors/subcontractors on Public Works Projects from outside the local market tend to hire workers that live outside of the local labor market, while local contractors tend to hire more local construction workers.



Unemployment Higher Among Construction Trades



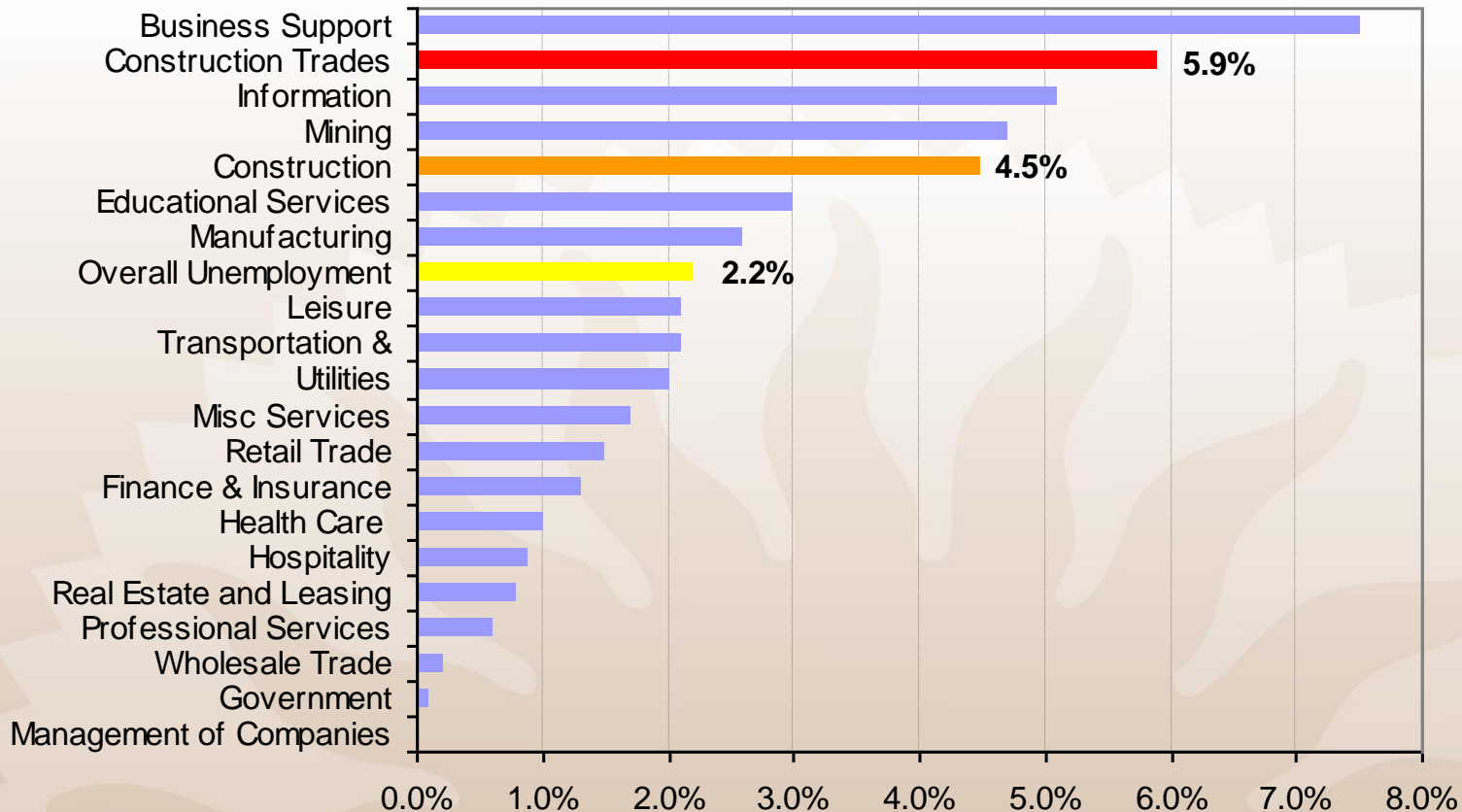
Construction Unemployment Higher than Expected



Source: U.S. Bureau of Labor Statistics, California Employment Development Department, and Emsi

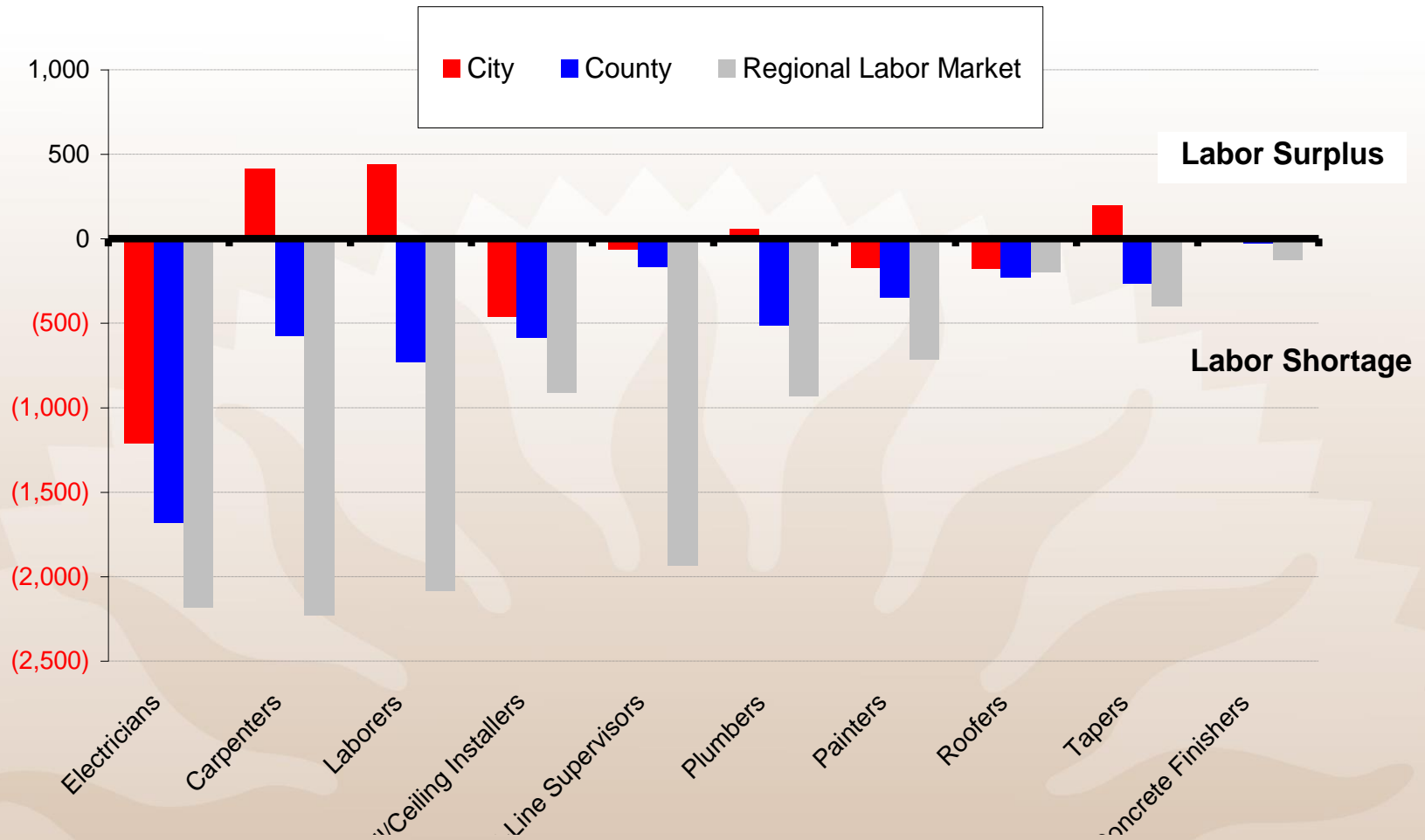
Construction Among Top Industry Sectors With Highest Levels of Unemployment

(Ratio of Unemployment Levels to Jobs)

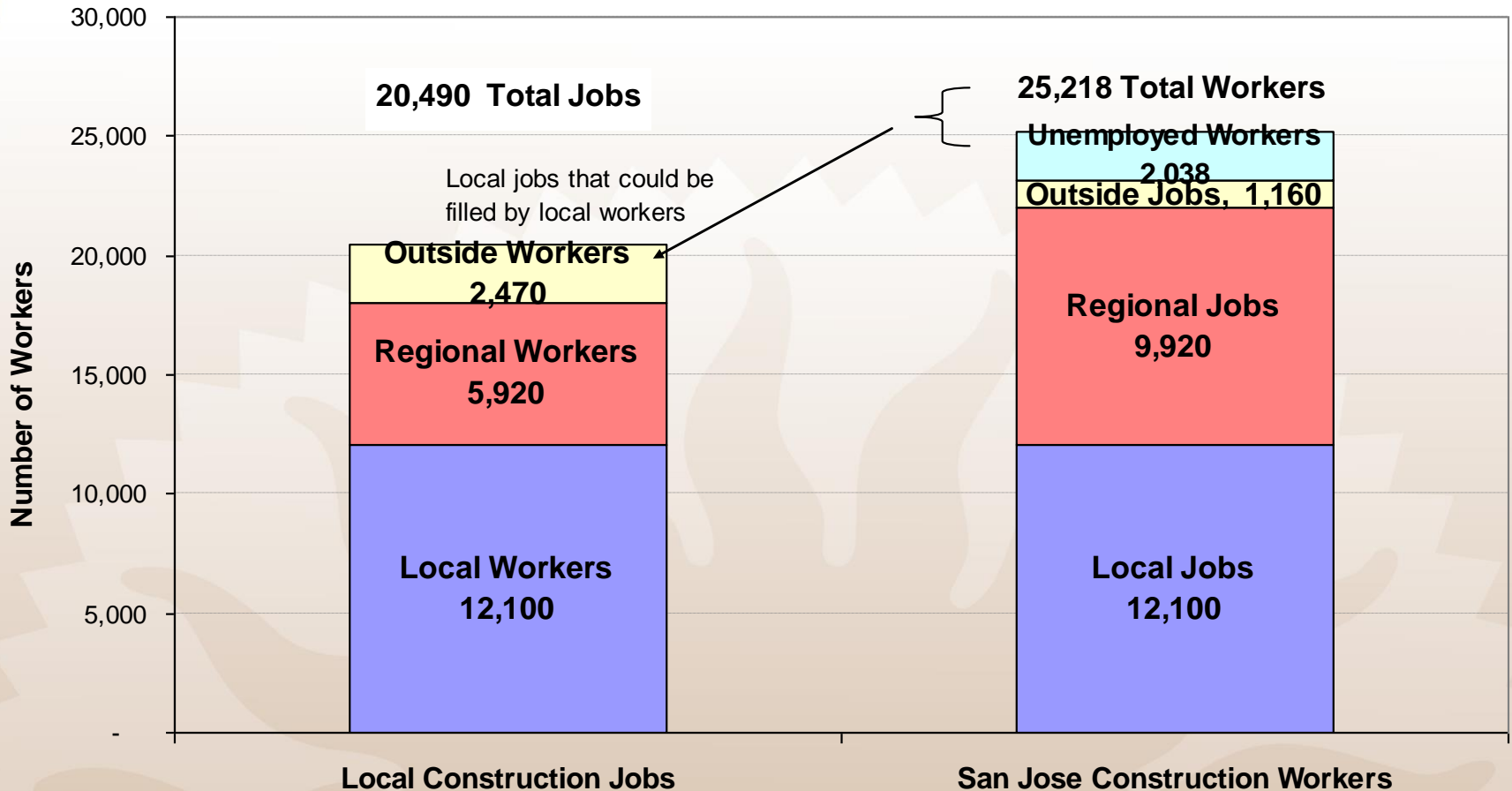


Source: Emsi 2018.4 QCEW Employees, Unemployment by

Regional Labor Market is Tight



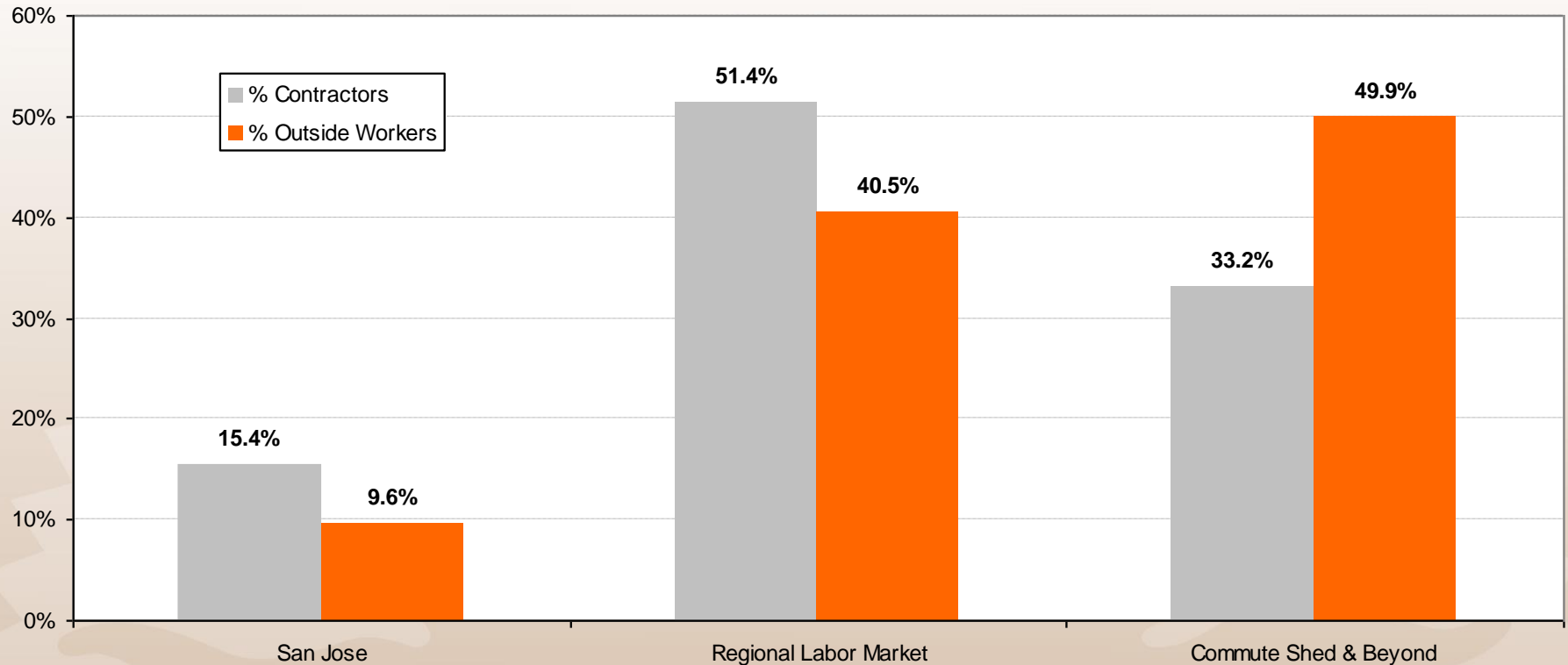
Local Unemployment Impacted by In-Commuters



Source: Emsi, U.S. Census Bureau, 2017 American Community Survey

Source of Workers on Selected City Public Works Projects

Local Contractors Hire Fewer Outside Workers



Source: City of San Jose Public Works Department,

Existing City Policies that Promote Local Hire & Purchasing

- **Project Labor Agreement** with Building and Construction Trades Council on projects exceeding \$3 million.
- **Measure S** - informal bidding process on small projects less than \$600,000
- **Disadvantaged Business Enterprise** to inform small local under-represented firms about job opportunities

Recommended Actions for Public Works Projects

- **Monitor Progress of Existing Policies**
 - PLA
 - Measure S
 - Disadvantaged Business Enterprise
- **Consider Establishment of a Local Contractor Preference Policy**
 - Projects at or under maximum \$600k threshold
- **Establish Criteria to Hire More Apprentices**
- **Adopt First Source Hiring Program**
 - Contractors are required to participate in order to be considered a responsive bidder;
 - Good faith effort to hire qualified local workers;
 - Local Job Center provides list of pre-screened eligible qualified candidates with focus on targeted hire of unemployed from economically distressed neighborhoods.

Next Steps

- ✓ Analysis on the effects of Project Labor Agreements, Disadvantage Business Enterprise Program, and Local Preference on Minor Public Works Construction;
- ✓ Craft Consulting Group examining private construction, providing additional analysis and data points on the Labor Market;
- ✓ Stakeholder outreach with Working Partnerships USA, Santa Clara & San Benito Building Trade Council, apprenticeship and pre-apprenticeship programs.