

February 26, 2009

Alderman Joe Davis, Sr.  
Chari, Committee on Community and Economic Development  
Milwaukee Common Council  
City Hall, Room 205  
200 E. Wells St.  
Milwaukee, WI 53202

Dear Alderman Davis:

I am writing to address some of the concerns about prevailing wage requirements and their impact on employment patterns and construction costs that have arisen in the context of debates of the proposed MORE ordinance. I am the Director of Research and Communications for the Partnership for Working Families, which is a national network of organizations working in roughly 25 cities with the goal of establishing policies and practices around economic development that build and sustain a new urban middle class. Many of the cities in which we work have initiated pioneering efforts to incorporate more workers of color and low-income urban residents into the construction industry. I am writing today to alert you of some of the lessons of these efforts, which we call construction careers programs, and to assure you that prevailing wage requirements, when coupled with strong and effective targeted hire programs, can ensure that low-income workers get access to high quality jobs in the construction industry.

Across the country, urban leaders are seeking new ways to get more out of economic development and they see construction careers as a promising avenue to do so. Last year, Los Angeles' multi-billion dollar Community Redevelopment Agency passed a policy that requires all subsidized construction to have a labor peace agreement and a targeted hire program. This policy will ensure that 30% of worker hours at subsidized construction job sites are performed by residents of targeted low-income neighborhoods, and that those workers will have access to safe, high quality jobs that pay prevailing wages. It is anticipated that in the first 5 years of its existence, the policy will establish 5000 new jobs for low-income city residents. In fact, 1/3 of those jobs are reserved for workers in the "hardest-to-employ" category, meaning that they are former public assistance recipients or ex-offenders.

Other cities are quickly following this lead. The Santa Clara and San Benitez Counties community college system has an agreement with the building trades council there that ensures community college students get trained for construction apprenticeships, while also requiring contractors working on campus construction projects to hire students out

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of the program. San Diego's school district recently passed a resolution requiring school construction to meet the same set of standards. The Mayor of Newark is working to pass a construction careers policy for all commercial redevelopment. These communities are showing how leadership from government officials can leverage more impact from the economic development they generate.

These local government agencies are advancing construction careers models because evidence shows that, with strong and effective implementation programs, they put low-income residents to work. Almost a decade ago, the Port of Oakland signed a project labor agreement that required modernization of the port to include targeted hiring, in an effort to ensure that low-income Oakland residents got access to jobs. In the first few years, little was done to make the implementation process function and in fact only a handful of local residents were hired. Once the Port convened an implementation team, made up of contractors, union representatives and community-based organizations, the project succeeded in hiring local targeted workers for almost 13% of the work, with over 6% of the worker hours performed by local, new apprentices. Over the lifetime of the agreement, this achievement amounted to 472 journey-level jobs and 94 new apprentice positions.

Critics are now claiming that prevailing wage eliminates the possibility for low-income local workers to get jobs. Evidence from our own city shows that is not correct. For example, Milwaukee's Department of Public Works regularly establishes targeted hiring requirements as part of the city's Residence Preference Program and those targets are nearly always met or exceeded. MMSD recently passed a targeted hiring program. In both cases, prevailing wage laws pertain to most, if not all, of the work. Similarly, efforts to incorporate minority and local workers into the construction of the Marquette Interchange – a project that was built with 100% prevailing wage requirements – have been heralded for their success. In fact, when local officials make a commitment to shepherd the implementation process, prevailing wage requirements can not only coexist with targeted hiring but together these provisions ensure more poor people get access to better jobs, a win-win for workers and their communities.

Of course some will distort the research, or take it out of context, in order to make the argument that prevailing wage laws increase costs. The research says nothing of the sort. On balance, research on prevailing wage requirements shows that differences in initial bids – that is the cost contractors initially submit when attempting to win the work – are almost completely erased as projects mature. Low-bid contractors frequently go back to renegotiate when they can't meet the cost projections they initially established, with the end result that their projects cost as much as those that pay prevailing wage. Because labor costs are the smaller part of the construction budget for

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any project, I urge your suspicion toward claims that prevailing wage is responsible for significant differences in cost projections.

It is important, in these times, to remember that eliminating job quality standards did not protect or preserve our economy, neither the US's nor Milwaukee's. In fact, expert economists understand all too well that diminishing job quality has only reserved profits for those at the very top of the income scale. Over the past two decades nationally, worker productivity has steadily increased yet workers' wages have stagnated and in some cases declined. In plain terms: workers have worked harder and more productively than ever but they have not benefited economically from their efforts. As a result, the middle class is shrinking, purchasing power is on the wane, we rely all too heavily on credit – factors that have contributed to our current economic woes.

I urge you to establish strong job quality and job access standards for subsidized construction in Milwaukee. I am happy to provide you with resources and citations for the programs and economic analyses mentioned here and I ask you to contact me if you have any questions about them.

Respectfully,

A handwritten signature in black ink, appearing to read "Kathleen Mulligan-Hansel". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Kathleen Mulligan-Hansel, Ph.D.  
Director of Research and Communications

Cc: Alderman Ashanti Hamilton  
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