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# Fostering Equitable Community and Economic Development through Apprenticeship

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## Introduction

Mayors play a crucial role in helping people attain the education and skills necessary to enter the workforce and climb the economic ladder. While many American cities are thriving today, they are also home to rising levels of economic inequality, driven in part by the difficulty non-college-educated workers face in securing family-sustaining jobs. Fifty years ago, urban and metropolitan workers without a college degree could secure well-paying, middle-skill jobs that were not available in suburban and rural labor markets. But by 2015, cities no longer provided an abundance of middle-skill jobs for workers without postsecondary education and training.<sup>1</sup> This change in the nature and availability of urban jobs has pushed more workers into low-wage work, increased occupational polarization in metropolitan areas, and contributed to growing inequality.

Mayors have a tool for tackling this problem that many have not fully utilized: apprenticeship, a proven training and employment model that helps employers build a qualified workforce and provides workers with affordable pathways to careers. City leaders have a number of levers for expanding the use of apprenticeship by employers who do business with the city and by the many public and nonprofit agencies that deliver city services. In fact, increasing the supply of apprenticeships that can prepare residents for family-sustaining jobs in construction, renewable energy, information technology, healthcare, social services, and even public administration, is an inclusive growth strategy available to mayors in every city in America.

## The Value of Apprenticeship

Apprenticeship combines paid on-the-job learning with classroom instruction to prepare individuals for specific occupations. Apprentices receive mentoring, earn progressively higher wages as their skills increase, and obtain an industry-recognized credential that positions them to find a job with other employers in the field. Apprenticeship programs boast impressive outcomes. Data from the U.S. Department of Labor indicate that more than 90 percent of registered apprentices remain employed after program completion, and their average starting wage is more than \$60,000. Over their careers, apprentices earn \$300,000 more than workers who did not complete an apprenticeship.<sup>2</sup>

Apprenticeship in the United States has traditionally been focused on workers in the skilled trades, like welding and plumbing. But apprenticeship is now expanding to fast-growing sectors like healthcare, information technology, and finance. As students struggle to pay the cost of college, apprenticeship is emerging as an affordable and effective strategy for career training.<sup>3</sup> Employers also have much to gain from apprenticeship: a loyal, stable, and well-trained workforce equipped to meet market needs and to integrate into the culture of the organization. The challenge for mayors and municipal leaders is how to make apprenticeships leading to good, family-sustaining jobs much more widely available in their cities.

## City Levers for Apprenticeship Development and Expansion

The good news is that mayors and other city leaders have a variety of tools at their disposal to influence the supply of apprenticeships in their cities. Below are six concrete strategies city leaders can deploy: (1) convene business and education leaders around a common vision and plan to elevate apprenticeship as a core workforce development strategy, (2) leverage the city's procurement and related policies to incentivize the adoption of apprenticeship by local contractors, (3) engage and support community-led efforts to develop on-ramps to apprenticeships, (4) invest in public sector apprenticeships, (5) design development incentives that benefit residents, and (6) direct city funding to programs and supports to expand apprenticeship opportunities for residents.

### *1. Organize Around a Vision*

Apprenticeship requires partnerships between local businesses and workforce and education systems to ensure that the on-the-job training and related classroom instruction complement one another and are structured to equip apprentices with the skills and credentials needed to enter and advance along a career path. Apprenticeship also benefits from the involvement of human services organizations and community-based organizations that can mitigate barriers residents face to gainful employment, such as unreliable transportation to school or work. Mayors are uniquely positioned to make these moving parts work together.

One approach is to establish a city-wide apprenticeship goal or clarify how apprenticeship fits in a city's broader economic and workforce strategy. For example, in February 2018, the Philadelphia Office of Workforce Development and its partners released *Fueling Philadelphia's Talent Engine*, a citywide workforce development strategy that included a recommendation to create 500 new apprenticeships and 3,000 industry-driven work-based learning opportunities in seven target industry sectors, which account for 71 percent of all jobs. Developed over 18 months by a 40-member stakeholder committee, with representatives from the education and workforce training sectors, the strategy included concrete metrics to assess the city's progress toward its goal of increasing access to middle-skill jobs, which require more than a high school credential, but less than a four-year degree.<sup>4</sup> Philadelphia has even published a one-year progress report detailing how new efforts like ApprenticeshipPHL, a regional public-private collaboration led by the nonprofit JEVS Human Services and Philadelphia Works, the city's workforce development agency, are supporting apprenticeship access by guiding businesses through program development, creating a repository of available apprenticeship training

opportunities for residents to navigate, and providing wraparound services to apprentices.<sup>5</sup>

Unifying city agencies, educational institutions, and employers around an apprenticeship strategy and monitoring progress toward established goals can help scale up the number of high-quality earn-and-learn opportunities for residents.

## ***2. Use Procurement Authority***

Cities routinely use public dollars to procure or purchase goods and services from nongovernmental entities for the benefit of their residents. For instance, cities award contracts for the construction of public infrastructure projects, information technology support, transportation, and other services to both nonprofit and for-profit organizations. Because government procurement is funded in large part by taxpayer dollars, city leaders have long used their purchasing power as a means to advance socio-economic goals, such as improving labor conditions and minimum wages, engaging talent from marginalized communities, and investing in local businesses.<sup>6</sup>

In the spirit of increasing access to quality jobs for tax-paying residents, municipalities are also leveraging their contracting and procurement authority to encourage or even require vendors to offer apprenticeship training opportunities. Through contracting or bid preferences, cities give vendors that meet workforce or other goals preferential consideration. The City of Chicago, for instance, has long offered bid preferences on city-funded construction projects to contractors who use union apprentices who are enrolled in, or who have graduated from, a construction technology training program administered by the City Colleges of Chicago.<sup>7</sup> Other cities require prospective contractors to employ a minimum number of apprentices or reserve a certain percentage of project hours for apprentices. Recently, the City of Denver launched a three-year construction career pilot program, which requires 15 percent of all project hours be performed by workers in Registered Apprenticeship programs, with one-quarter of those coming from priority populations. Additionally, Denver mandates that one-quarter of the apprentices must be first-year hires, in order to ensure that the program is bringing in new workers.<sup>8</sup>

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### **→ TOOLS FOR PROMOTING JOB ACCESS AND QUALITY IN CITY PROCUREMENT**

Beyond simply encouraging or requiring the employment of apprentices on publicly funded municipal projects, cities can shape the compensation and

composition of the apprentice workforce through the use of project labor agreements (PLAs) and community workforce agreements (CWAs).

A PLA is essentially a pre-hire collective bargaining agreement between an employer and a coalition of unions. PLAs, which have existed for nearly a century and are authorized under the National Labor Relations Act of 1935, specify a project's wages, benefits, hours, and other conditions, such as binding procedures to resolve labor disputes, that prevent strikes.<sup>9</sup> In places like New York and Portland, Oregon, city councils or individual agencies have encouraged or mandated the use of PLAs on large municipal public works projects, which apply to all contractors and subcontractors doing work for the city, in order to guarantee worker protections and ensure that projects are completed on time and on budget.

A CWA is a PLA with specific social investment or targeted hiring provisions, including apprenticeship utilization requirements, to create employment and career path opportunities for underrepresented communities. CWAs aim to address the needs and interests of marginalized groups that have historically been excluded from the benefits of economic development. For example, the City of Seattle entered into a CWA for a \$200 million public works project to replace seawall structures along the city's waterfront. The CWA requires the contractor to hire 15 percent of its workforce from economically disadvantaged zip codes, provide pre-apprenticeship program completers with direct entry into union apprenticeships, and sets a minimum number of project hours that must be completed by apprentices, with particular attention to employment targets for female apprentices and apprentices of color. The city's labor equity program ensures compliance with the CWA and verifies that employment and training targets are met.<sup>10</sup> A study of CWAs in Los Angeles found that they resulted in increased employment and retention of local workers, in middle-class career paths, and in poverty reduction.<sup>11</sup>

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**The time is ripe for municipalities to examine how they can leverage their purchasing authority to efficiently and affordably acquire goods and services while simultaneously creating quality work-based learning and employment opportunities for residents.**

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While many cities across the country use contracting preferences and procurement requirements to increase apprenticeship utilization on city projects, these tools are almost exclusively used for public works projects, perhaps reflecting the traditional limitation of apprenticeship to the building trades. But contracting and procurement happen across many city agencies, including school districts, courts, and public health departments. These agencies employ many of the middle-skill information and service workers for whom new apprenticeship pathways are being developed. The time is ripe for municipalities to examine how they can leverage their purchasing authority to efficiently and affordably acquire goods and services while simultaneously creating quality work-based learning and employment opportunities for residents.

### ***3. Collaborate with Community Organizations to Create Career Pathways***

Some city contractors struggle to meet local employment and training goals without the support of community organizations and the public workforce system, which help recruit and prepare residents for apprenticeship opportunities. Over the last two decades, community benefits agreements (CBAs)—contracts between community groups, developers, and occasionally cities that detail conditions under which development can occur—have emerged as a tool to ensure that a city’s most underserved communities can benefit from revitalization initiatives in its own backyard.

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**Pathways into apprenticeships are not always well defined or easily accessible for marginalized communities.**

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While CBAs have historically focused on preserving or increasing a community's affordable housing stock, employment and training provisions are now becoming commonplace. A CBA may set aside funding for apprenticeship or pre-apprenticeship training, guarantee local or minority hiring, or stipulate job-quality requirements regarding wages and benefits. Elected officials and government agencies often play an active role in the development of CBAs. In California and other jurisdictions where development agreements are authorized, government representatives may be formal CBA signatories. In other cases, government officials may play a more informal role by facilitating CBA negotiations and encouraging cooperation.

In several cities, publicly funded pre-apprenticeship programs have also proven successful in improving access to apprenticeships, particularly for disadvantaged populations, and in making progress toward local hiring goals. Pre-apprenticeships help participants build academic and work-readiness skills and access a range of supports—from transportation to child care referrals—to smooth the transition into an apprenticeship program. In 1983, Boston instituted the Residents Jobs Policy to increase the employment of residents, particularly those of color, on city-funded construction projects. But the city found that this policy was not, by itself, sufficient to meet its hiring goals. In 2011, Boston launched “Building Pathways,” a pre-apprenticeship program to help increase the number of low-income women and minorities in the traditionally white, male-dominated construction industry. While this pre-apprenticeship is small in size, completers are practically guaranteed a spot in a Registered Apprenticeship program.

Pathways into apprenticeships are not always well defined or easily accessible for marginalized communities. Targeted recruitment efforts and pre-apprenticeship programs can help dismantle barriers to apprenticeship participation.

#### ***4. Build Pipelines into Public Sector Employment***

With more than 14 million employees, municipal governments account for roughly 65 percent of the entire public sector workforce in the United States.<sup>12</sup> City governments are often stable employers, offering full-time employment that comes with health, retirement, and other family-sustaining benefits. Yet pathways into civil service are sometimes challenging to navigate or non-existent, particularly for those with little or no applicable work experience. And with 1 in 5 residents eligible for retirement in a decade, cities need creative solutions for replacing their aging workforces.<sup>13</sup>



**Municipal employees account for roughly 65% – or 14 million – of the 25.5 million workers in the public sector workforce.**



Public sector apprenticeship programs are a form of direct job creation that open doors to opportunity for city residents. They are particularly promising for rural towns, where, unlike in metropolitan areas, the labor force participation rate for working-age adults has yet to bounce back to pre-recession levels.<sup>14</sup>

Several cities have successfully launched public sector apprenticeship programs, primarily in the skilled trades. For example, the City of Cleveland’s Department of Public Utilities partnered with the metropolitan school district and local American Federation of State, County and Municipal Employees union to offer the Water Distribution Worker Apprenticeship Program through which high school graduates can apprentice with Cleveland Water, a city agency.<sup>15</sup> The City of Tacoma’s largest agency, Tacoma Public Utilities, offers apprenticeship programs to prepare individuals for three different technician careers.<sup>16</sup> And the San Francisco Municipal Transportation Agency hires apprentices in several technical positions, including maintenance machinist, auto mechanic, and car and auto painter.

The U.S. Department of Labor outlines more than 1,000 occupations across a variety of industries for which apprenticeship can be leveraged as a training and employment strategy.<sup>17</sup> By some measures, the United States could stand to nearly triple the number of occupations that leverage apprenticeship training models.<sup>18</sup> And while many of these apprenticeable occupations in fields like education and cybersecurity, exist within city agencies, public sector apprenticeships in the United States are underutilized. This is not the case abroad, where England, for example, has established a national public sector apprenticeship target requiring an average of 2.3 percent of workers in agencies with at least 250 employees to be new apprentices.<sup>19</sup>

City leaders could evaluate the extent to which civil service job openings can be filled by apprentices who would learn on the job under the supervision of a

qualified mentor. For example, under a directive from Mayor Eric Garcetti, Los Angeles launched the Targeted Local Hire (TLH) program to provide residents, including formerly incarcerated individuals, a pathway to civil service careers.<sup>20</sup> Administered by L.A.'s Economic & Workforce Development Department and its personnel department, TLH emerged from a 2015 agreement between the city, the Coalition of Los Angeles City Unions, and Fix LA, an alliance of community organizations. Participants receive on-the-job-training as office trainees or vocational workers in one of 11 career pathways. During training, residents are full-time employees eligible for health, retirement, and commuter benefits. After a year, they receive a permanent civil service appointment. Since its launch, the program has employed approximately 900 residents, and Los Angeles is in the process of identifying additional entry-level positions for which to hire target populations.

Moreover, public sector apprenticeships need not be for entry-level employees only. City agencies can use apprenticeship to improve skill development and career progression for incumbent workers. This can be an effective way to quickly grow a highly-skilled, loyal workforce.

#### ***5. Structure Development Incentives to Achieve Community Benefits***

Economic development incentives—business tax credits or other forms of government assistance—are a powerful tool that governments use to attract businesses and create jobs. Between \$50 and \$80 billion of public money is spent each year in the United States on programs that finance business relocation and development, including tax abatements and exemptions, low-cost forgivable loans, and cash grants.<sup>21</sup> The theory is that newly attracted businesses will create jobs for city residents. Yet there is little guarantee that a project will translate into direct benefits for current residents. For instance, development incentives aimed at luring new businesses to a city or region are not guaranteed to spur significant job creation. According to an analysis from the Center on Budget and Policy Priorities, data from state economic development efforts between 1995–2013 indicate that only 14 percent of the new jobs in a state came from relocated businesses. The vast majority of private-sector job creation was a result of new in-state startups, the expansion of employment opportunities at existing businesses, and the creation of new in-state locations by businesses already headquartered there.<sup>22</sup>

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## **Customized job training strategies, like apprenticeship, help attract and grow higher-wage jobs.**

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Furthermore, not all development incentives are created equal and research suggests that tax credits—one of the most common incentives—have had little or no impact on economic growth or job creation.<sup>23</sup> On the other hand, customized job training strategies, like apprenticeship, help attract and grow higher-wage jobs.<sup>24</sup> While job creation tax credits, property tax abatements, and other common development incentives have the benefit of drawing on a city’s deferred tax revenues as opposed to its discretionary funding, the return on investment from customized job training incentives, as measured by job creation, is approximately 10 times that of tax-based incentives. However, only 2 percent of development incentives are allocated for job training purposes.<sup>25</sup>

Municipalities could consider allocating a greater share of their development incentives to support apprenticeship training, which provides residents with not just a job, but a career pathway

### ***6. Secure Funding for Development and Expansion***

Employers invest between \$90 and \$590 billion annually in on-the-job training, including apprenticeship. However, many of these training investments benefit highly educated workers, not those who may need the training for upward mobility.<sup>26</sup> Developing or expanding apprenticeship programs can be costly for employers and training providers alike. Furthermore, many small and medium-sized businesses lack the financial resources or technical expertise to engage in effective talent development.

Cities can help seed the implementation of new apprenticeships by offering financial support for program development and implementation. For instance, Boston allocates funds from its Neighborhood Jobs Trust (NJT) to support tuition for participants in a hospitality apprenticeship program. NJT, sustained by fees that large-scale real estate developers are required to pay into the trust, was created to fund jobs, job training, and related services for low- and moderate-income residents impacted by development. Developers can contribute funds for job training for their permanent workers or to a trust managed by a member of the city council appointed by the mayor, the director of the Office of Workforce Development, and the collector-treasurer of the City of Boston. This financing structure, which is not subject to annual budget appropriations, represents a

potentially sustainable approach to funding apprenticeships, especially if a city is undergoing substantial redevelopment.

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