



Priority Hire Legislation

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City of Seattle

Agenda



- **Background**
- **Overview of Legislation**
- **Core Worker Reduction**
- **Subcontract Exemption**

Background

Priority Hire:

- Implemented on City construction projects of \$5 million or more through a Community Workforce Agreement (CWA).
- Requires a percentage of project hours be performed by workers living in economically distressed areas, requires apprentice utilization and sets goals for women and people of color.

CWA Projects
Elliott Bay Seawall
Blue Ridge Conduit Installation: Phase 1
Denny Substation
Fire Station 32
Buried Reservoir Seismic Retrofit: Maple Leaf & Myrtle
Buried Reservoir Seismic Retrofit: Beacon
Denny Network
Fire Station 22

Overview of Legislation

Technical Amendments:

- Project Labor Agreement (PLA) vs. “Community Workforce Agreement (CWA).”
- Confirms that “Economically Distressed Area” means Seattle then King County.
- Director “may” establish a director’s rule.
- Corrects word order (contracts and debarment).
- Lettering and punctuation.

Overview of Legislation

Substantive Proposals:

- Core worker reduction.
- Small subcontract exemption.



Mayor's Legislation: Core Worker Reduction

Core workers are long-standing employees of open-shop construction firms. The ordinance allows contractors to bring up to five core workers to a project.

Issue:

- Open-shop contractors typically request to bring three core workers.
- WMBE firms are most likely to bring core workers fitting Priority Hire profiles.

Proposal: Reduce the number of core workers an open-shop contractor can bring from five to three. Preserve five core workers for WMBE firms.

**PHAC Committee also recommended the core worker reduction to three.
Aligns closer to other project labor agreements across region.**

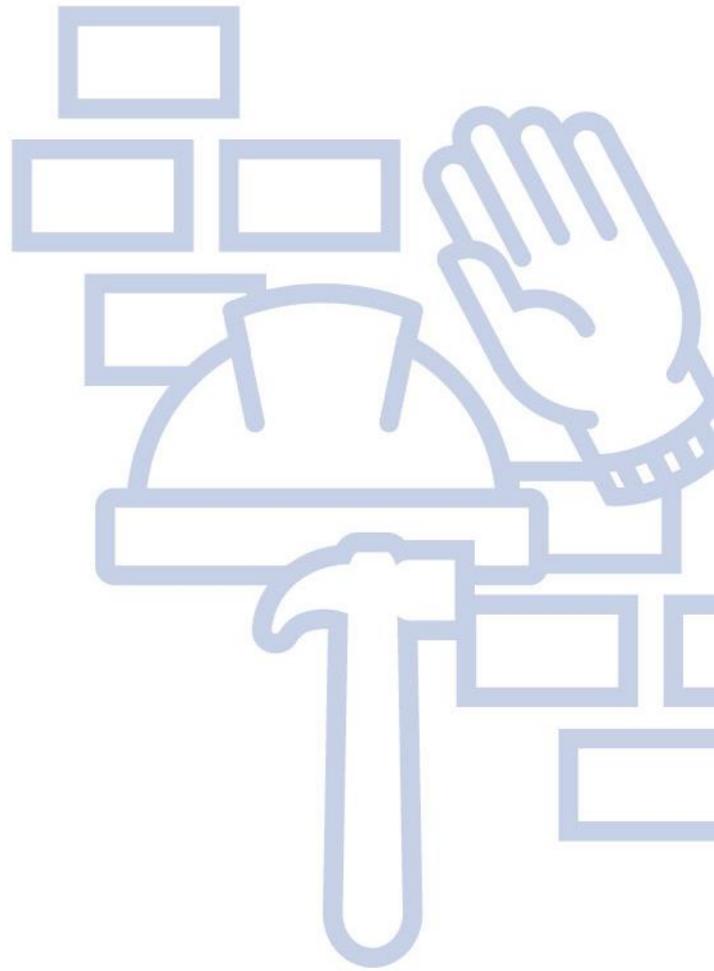


Mayor's Legislation: Reducing Core Workers

During the 2015 deliberations, there was no data to guide policy choices as to core worker count. We now have data, although we caution it is limited and does not have high confidence.

Workers	Hours	Median Core Workers named in Pre-job	Average Core workers named in Pre-job
350	24,606	3	3.1

Source: City of Seattle, Pre-job packages and LCP Tracker. Core workers on the Seawall were not tracked so are not within this analysis.



Reducing Core Workers – Preserving WMBE

We found that the union dispatch process is succeeding at a robust dispatch of Priority Hire workers.

CWA Projects			
Contractor Type	Workers from Economically Distressed ZIP Codes	Women	People of Color
Open-Shop	20%	6%	23%
Union	18%	6%	25%

Source: City of Seattle, November 2013-December 2016.

Reducing Core Workers – Preserving WMBE

Open-shop WMBE firms bring a greater share of Priority Hire workers than non-WMBEs.

Contractor Type	Workers from Economically Distressed ZIP Codes	Women	People of Color
Open-Shop & WMBE	23%	10%	29%
Open-Shop & Non-WMBE	17%	3%	17%
All (Including Union-Shops)	19%	6%	24%

Source: City of Seattle, November 2015-September 2016.

Reducing Core Workers – Preserving WMBE

Another driver of the exemption is the perceived barriers that the CWA presents for WMBE firms. While data shows uncompromised use of WMBE firms, the WMBE firms report greater concern and distress in the CWA environment. WMBE firms rated the CWA as “very impactful” on their work.

	WMBE	Non-WMBE
Very impactful	56%	25%

	WMBE	Non-WMBE
Won't bid again	19%	7%

Source: Community Attributes Inc., 2016.

WMBE firms *reported* they were unlikely to bid again. This risks a disproportionate impact on WMBE firms and a risk of reduced competition at sub-tier contract levels, even if data is not yet evidencing this reluctance.

Reduce Core Workers

Core workers are defined as journey-level workers in the CWA, which excludes apprentices.

Council requested information on feasibility of maintaining five core workers for any open-shop company when bringing two apprentices. This option permits the placement of open-shop Construction Industry Training Council (CITC) apprentices.

- Although relatively few apprentices emerge out of CITC each year (32) relative to union programs (598), they are an important demographic for contractors.
- Higher rate of people of color (42% of CITC apprentices vs. 31% for union trade programs in 2015).
- Graduation rates for CITC is 33% and 40% for the union trade programs.

Apprentices Tri-County Annual averages 2011-2015	Men	Women	White	People of Color
Completion rate	41%	32%	43%	33%

Source: Washington State Department of Labor and Industries, 2016; Community Attributes Inc., 2016.

Reducing Core Workers

Apprentices in our pipeline today have significant proportions of women and people of color:

Apprentices on City Projects	CWA Projects	Non CWA Projects	All projects	Prior to CWA
Apprentice Women	32%	5%	18%	9%
Apprentices of color	47%	24%	35%	32%

Source: City of Seattle, 2016.

Mayor’s Legislation: Small Subcontract Exemption

Proposal: Exempt subcontracts of \$100,000 or less from the CWA.

A PHAC Subcommittee reviewed and supported this proposal.

Goal: In 2015, we did not have data to analyze impacts of subcontract exemptions, although they were discussed by the originating committee. It remains important to find the balance and “tipping point” where the work hours are too small to merit the attention of the CWA.

CWA Administrative Requirements	Diminishing Returns for Small Subcontracts
<ul style="list-style-type: none">• Trust fund payments and paperwork.• Registering with the hall and representation fee.• Contractor attends one-hour “pre-job” meeting.• Paperwork to describe work and core employees.• If classifications are contested, additional paperwork.• Dual reimbursement paperwork, if needed.	<ul style="list-style-type: none">• Open-shop workers with few hours worked not likely able to access trust benefits.• Few employees on site.• All hours worked still included in Priority Hire calculations.• Union benefits and representation continue for union workers.

Small Subcontract Exemption – Why \$100,000?

Subcontracts of \$100,000 or less: Why \$100,000? A clear break point emerged with 92% of all labor hours as falling within the full requirements of the CWA.

Contract Threshold	Share of Project Value (n=\$174.6M)	Share of All Project Hours (n=940,684)	Average Hours per Contractor
>\$100,000*	94.2%	92.1%	4,870
<\$100,000	5.8%	7.9%	186
<\$75,000	4.1%	5.6%	146
<\$50,000	2.9%	4.1%	116
<\$25,000	1.3%	2.0%	73
<\$10,000	0.3%	0.5%	29
<\$5,000	0.1%	0.2%	17

Source: City of Seattle, 2016. *Includes prime contracts.

Small Subcontract Exemption – Why \$100,000?

Contract Threshold	Share of Open-Shop Hours Among All Hours	Average Open-Shop Hours Per Contract	Share of WMBE Hours Among All Hours	Share of Open-Shop WMBE Hours Among All Hours
>\$100,000*	26.3%	3,095	16.1%	9.3%
<\$100,000	4.0%	152	1.6%	0.9%
<\$75,000	3.2%	129	1.3%	0.8%
<\$50,000	2.3%	100	1.0%	0.6%
<\$25,000	1.0%	60	0.5%	0.3%
<\$10,000	0.3%	24	0.1%	0.1%
<\$5,000	0.1%	15	0.0%	0.0%

Source: City of Seattle, 2016. *Includes prime contracts.

Small Contract Exemption – Risk

Is there a risk that primes will break work apart into smaller contracts?

Primes have no financial incentive to do so, given the cost of managing small subcontracts and the risks/liabilities that result are greater than the activities to work within the CWA.

Will this drive more open-shop contractors to compete and fewer union shops?

Data does not evidence that the CWA is changing the balance between open-shop and union shop contractors.

How does this impact WMBE firms?

It reduces the share of WMBE contracts that work under the CWA.

Small Contract Exemption – Director Exceptions

The legislation would permit the FAS Director to set a lesser threshold at any time.

- Allows for variation in project types or needs.
- Alternatively, this may be a policy decision made legislatively and not at the FAS Director level.

