

THE JOB LINKAGE APPROACH TO COMMUNITY ECONOMIC DEVELOPMENT:  
A STUDY OF BOSTON'S PERMANENT JOBS HIRING AGREEMENTS

by

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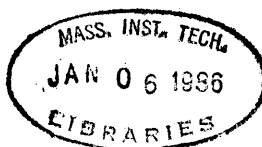
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ABSTRACT

The paper presents a study of the City of Boston's permanent jobs hiring agreement program. Boston's program provides an example of the job linkage approach to community economic development: the strategy of linking downtown expansion or revitalization to jobs for city residents. The paper describes and evaluates Boston's permanent jobs hiring agreement program in order to guide the development of future job linkage programs in Boston and other cities.

Boston's permanent jobs hiring agreement program is designed to induce private developers and employers to provide new permanent jobs for Boston residents, minorities, women, and low income persons in exchange for public subsidy. Although Boston's program is too new to permit a conclusive assessment of its success, five variables appear to be important: 1) the type of industry that the employers are in; 2) the degree of political pressure involved; 3) the amount of financial leverage the City retains; 4) the City's access to and control over the employers; and 5) the size of the project and number of employers involved. The importance of these variables is tested in a case study of one of Boston's more successful permanent jobs hiring agreements: the employment agreement negotiated with the developers of the \$540 million Copley Place mixed-use development.

As a result of the analysis, modifications to Boston's permanent jobs hiring agreement program are recommended to make the program more successful. In closing, however, the paper recognizes the limitations of the job linkage approach to community economic development and presents an example of another strategy which cities may want to combine with the job linkage approach.

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## INTRODUCTION

The strategy of promoting inner-city community economic development by linking downtown (central business district) expansion or revitalization to jobs for inner-city residents is a fairly new but increasingly popular response to the growing problems of unemployment and poverty in many of the nation's cities. Boston is one of the first cities to formalize such a linkage strategy by implementing programs designed to spread the benefits of Boston's phenomenal downtown growth to its primarily low income and minority residents. Boston's first job linkage program was designed to counter discrimination and provide opportunities for Boston's residents in the temporary, construction-related jobs created by publicly-subsidized downtown revitalization projects. Boston has recently developed a permanent jobs hiring agreement program that extends the job linkage strategy to the permanent jobs created by publicly-subsidized projects; a program with much greater potential benefits for Boston's residents.

While preliminary research indicates that other cities in the United States have recently implemented or are in the process of implementing job linkage programs, most of these programs are directed only towards temporary, construction related jobs. Information on existing job linkage programs is sparse, especially information on the less common permanent jobs linkage programs. Thus, the purpose of this

paper is to describe and evaluate Boston's permanent jobs hiring agreement program in order to guide the development of future job linkage programs in Boston and other cities.

The first part of the paper will provide an overview of Boston's permanent jobs hiring agreement program: 1) the history of the program; 2) the actors involved and their roles; 3) the structure of the agreements; and 4) the overall success of the program to date. Unfortunately, although Boston's program is one of the first permanent jobs linkage programs to be established in the nation, it is still too new and the results too sparse to permit a conclusive assessment of the success of the program. Instead, this paper compares the results from individual agreements in order to identify variables that might have affected the success of the agreements. Five variables appear to be important: 1) the type of industry that the employers are in; 2) the degree of political pressure and publicity involved; 3) the amount of financial leverage the City retains; 4) the City's access to and control over the employers; and 5) the size of the project and employers involved.

In order to test these variables, the paper investigates in detail one of the more successful permanent jobs hiring agreements: the employment agreement negotiated with the developers of the \$540 million Copley Place mixed-use development. Analysis of the hiring results at Copley Place reveals that all five variables cited above were important in

determining the success of the employment agreement. In particular, the type of industry appears to have been a crucial factor. This finding raises the question of whether the success of permanent jobs hiring agreements is more the result of the occupational mix and employment needs of the particular industries involved than a conscious effort on the part of employers to comply with the agreements.

Drawing from the analysis of Copley Place, the paper concludes with a general evaluation of Boston's permanent jobs hiring agreements. This evaluation is centered on three questions: 1) what is the goal of the agreements; 2) do the agreements accomplish this goal; and 3) how might the agreements be improved. Recommendations for improving the agreements follow directly from the analysis of the factors influencing the success of the agreements. In closing, however, the paper also recognizes the limitations of the permanent jobs hiring agreements, even if improved according to the recommendations.

## OVERVIEW OF BOSTON'S PERMANENT JOBS HIRING AGREEMENTS

### HISTORY OF AGREEMENTS

The concept of requiring employers in Boston to adopt resident-preference hiring practises in exchange for public subsidy originated in the late 1970's when the Boston Jobs Coalition was organized under the slogan "Boston jobs for Boston people." The Coalition consisted of community groups and minority construction workers organized to counter the blatant and persistent discrimination of local construction unions which had been generally excluding Boston residents (white, minority, and female).<sup>1</sup> Public outcry over these discriminatory practises was heightened by the fact that a principal source of construction funds in Boston during this period was the federal Department of Housing and Urban Development (HUD). As a result of the Nixon Administration's new federalism plan, HUD had given the City of Boston primary responsibility for administering these federal funds in Boston. Thus, the City of Boston (under Mayor Kevin White) had a major role in determining the construction hiring practices in Boston.

In 1979, the Boston Jobs Coalition was successful in persuading Mayor White (who was under the pressure of re-election) to sign an Executive Order requiring construction firms working on projects funded by the City or with federal funds administered by the City to employ at least 50% Boston residents, 25% minorities, and 10% women out of the workforce



for each construction trade involved in the project. Boston became the first city in the United States to implement such a resident hiring quota. The construction unions challenged the constitutionality of this resident hiring quota but the Executive Order was upheld by the U.S. Supreme Court in February of 1983<sup>2</sup> and was subsequently incorporated into a Boston City Ordinance in October of 1983 (Document 62: 1983, Ordinances of 1983 Chapter 30).

The Boston Jobs Coalition had originally proposed that the hiring quotas also be applied to the permanent jobs created by City-funded or administered projects. However, the political pressure for permanent jobs hiring quotas was not as strong as for construction jobs because discrimination in permanent jobs hiring was neither as blatant nor as universal as in construction jobs hiring. Although not part of the 1983 Boston City Ordinance, permanent jobs hiring goals were included in several projects receiving leases on public property or publicly-subsidized loans (industrial revenue bonds) from the City's economic development agencies--the Boston Industrial Development Finance Authority (BIDFA) and the Boston Local Development Corporation (BLDC). Permanent jobs hiring agreements were also required of some developers and employers as a condition for receiving subsidized loans from federal Urban Development Action Grants (UDAG's) since HUD's approval of these projects was partly determined by the number of jobs that would be created for

low income, unemployed, and minority persons. Although HUD's approval was not based on the number of jobs to be created specifically for Boston residents, since the UDAG's were applied for, received, and administered by the City, public pressure resulted in the incorporation of resident hiring goals in many of the City's UDAG loan agreements.<sup>3</sup>

In 1984, The City of Boston's Neighborhood Development and Employment Agency (NDEA) standardized these permanent jobs hiring agreements into an Employment Initiative Agreement (EIA) to be applied to all projects receiving any form of public financial assistance in Boston. The NDEA developed the EIA in an attempt to rationalize the agreements and thus protect the City from complaints over the arbitrariness of former agreements. Whereas the goals included in prior agreements had been negotiated on an individual project basis, the NDEA set standard goals in the EIA to be applied to all projects.

#### ROLE OF THE NEIGHBORHOOD DEVELOPMENT AND EMPLOYMENT AGENCY

The City of Boston's Neighborhood Development and Employment Agency (NDEA) was formed in 1982 when the City's Neighborhood Development Agency merged with the City's Economic and Employment Policy Agency. The NDEA's general objectives are to provide employment opportunities for Boston's residents and to promote housing and neighborhood development. One of the NDEA's primary responsibilities is to establish and administer job training and placement

programs for economically disadvantaged and unemployed Boston residents, including the Boston Jobs Exchange referral service. In addition, since the NDEA is the agency which receives and distributes federal funds for the City of Boston, the NDEA is responsible for insuring that the City adheres to federal grant requirements. In 1983 HUD required the City to develop an Urban Development Action Grant Management Plan outlining the City's procedures for administering the grants in compliance with federal affirmative action guidelines. As part of the City's UDAG Management Plan, the NDEA was given primary responsibility for monitoring project compliance with the permanent jobs hiring agreements included in UDAG loan agreements.

Within the NDEA, the monitoring and enforcement of permanent jobs hiring agreements is assigned to the Contract Compliance and Enforcement Division, originally established by the 1979 Mayor's Executive Order to monitor construction jobs hiring quotas. Since November 1983, the Compliance and Enforcement Division has taken over the responsibility of monitoring and enforcing all of the City's permanent jobs hiring agreements, including those agreements negotiated prior to the development of the standard EIA. Although other City agencies are still responsible for the approval of projects receiving public subsidy, these agencies cooperate with the NDEA in negotiating the permanent jobs hiring agreements which the NDEA will enforce.

## DESCRIPTION OF AGREEMENTS

The permanent jobs hiring agreements negotiated by BIDFA and BLDC prior to the development of the standard Employment Initiative Agreement (EIA) included only a 50% Boston resident hiring goal. Most of these BIDFA/BLDC agreements were negotiated with industrial employers and were included as "Memoranda of Agreement" in either loan agreements (if the employers received State-subsidized industrial revenue bonds) or leases (if the employers leased City-owned property). The permanent jobs hiring agreements included in UDAG loan agreements negotiated prior to the EIA incorporated a 50% Boston resident hiring goal and varying minority, female, low/moderate income, economically disadvantaged (originally defined as "CETA-eligible"),<sup>4</sup> and impact area resident goals. In contrast to the construction jobs hiring quotas established by the 1983 Boston City Ordinance, the permanent jobs hiring goals do not apply to each occupation but to the project's total permanent workforce.

The standard EIA now specifies "new permanent jobs"<sup>5</sup> hiring goals of 50% Boston residents, 30% minorities, and 50% females, with an additional goal to be negotiated for economically disadvantaged persons.<sup>6</sup> These categories are not mutually exclusive: new employees can be counted in as many categories as they qualify for. In addition, the goals apply to all minorities, females, or economically disadvantaged persons, whether or not they are Boston residents. Like the permanent jobs hiring agreements

negotiated prior to the EIA, the hiring goals also apply to the project's total workforce, not to each individual employer within the project. The NDEA no longer targets impact area residents because it now feels that the impact area should include all of Boston. The NDEA has also eliminated the category of low/moderate income (originally required by HUD) because the maximum income levels set by HUD were so high that most projects far exceeded the low/moderate income hiring goals.<sup>7</sup>

The goals for Boston residents, minorities, and females established in the EIA were based on the City of Boston's current labor market statistics and recent employment trends.<sup>8</sup> Since minorities and females represented 27% and 48% of the City of Boston's labor force, respectively, the NDEA felt that approximately 30% and 50% of the new jobs created in Boston should be filled by minorities and females, respectively.<sup>9</sup> However, since the current employment trends indicated that the type of industries expanding in Boston (finance, insurance, real estate, and professional service sectors) would be likely to hire women but less likely to hire minorities, the NDEA expected that the 50% female hiring goal would be relatively easy to attain while the 30% minority hiring goal would be more challenging. In contrast to the minority and female hiring goals, the NDEA established the 50% Boston resident hiring goal as more of a target figure since only 37% of all jobs in the City were currently

filled by Boston residents and the employment trends indicated that most new firms were not in the manufacturing industries that traditionally employed Boston residents.

The EIA also includes a "first-source" provision requiring employers in the project to use the Boston Jobs Exchange for job referrals 10 days prior to any other public advertising for all job vacancies and new employment positions. In addition, the EIA establishes a monitoring process in which the employers are required to submit quarterly hiring and workforce reports indicating the number of new employees, Boston residents, minorities, females, and economically disadvantage persons that were hired. Although these reports are broken down by individual employers and occupational categories, the hiring goals apply only to the project's total workforce. In the case of a speculative development, the developer is required to "use its best efforts" to rent to tenants who will abide by the EIA; "best efforts" include incorporating written encouragement of tenant compliance in the tenant leases.

The EIA is intended to be legally binding through inclusion in the loan or lease agreement negotiated by the City with the developer of the project (in the case of a speculative development) or the employer (in the case of an employer-initiated development). Since the EIA remains in effect as long as the loan or lease is in effect, the hiring goals apply to both the initial hiring period and to subsequent hiring due to expansion or turnover. However,

unlike the 1983 Boston City Ordinance for construction jobs, the permanent jobs EIA does not specify sanctions for non-compliance (such as suspension of financial assistance or provisions for the recovery of public funds), although the NDEA's operational procedures state that "corrective action" will be initiated as necessary. The extent of this corrective action is thus limited by the language of the loan or lease agreement and usually entails proving that the "best efforts" requirement has not been met.

#### RESULTS TO DATE

Of the 33 projects involving permanent jobs hiring agreements on record at the NDEA as of July 1984, only 18 projects were completed and had hired new permanent employees. Unfortunately, all of these 18 agreements were negotiated prior to the development of the standard EIA. However, since each agreement included a 50% Boston resident hiring goal and some of the agreements served as models for the EIA, an analysis of the hiring results from these earlier agreements can be useful in predicting the success of the EIA.

Twelve of the 18 earlier agreements were negotiated by BIDFA and BLDC and included only a 50% Boston resident hiring goal. Five of the 18 agreements were negotiated by the NDEA with project developers or directly with employers over federal UDAG loans and included minority, female, and low

income persons hiring goals as well as Boston resident goals. In addition, there is one permanent jobs hiring agreement negotiated by the NDEA on a project that did not involve public financial assistance. In this case, the hiring agreement was included in a City-issued license.

While the majority of the 18 agreements for which there are reported permanent hiring results were agreements negotiated by BIDFA/BLDC, 78% of the permanent jobs filled under these agreements are from the five projects receiving UDAG's, with 40% of the jobs filled by the \$540 million Copley Place development alone. Thus, although the results for the 18 agreements indicate that in aggregate the agreements have exceeded the 50% Boston resident hiring goal, many of the smaller projects have not yet reached the goal. It is also important to note that since these 18 agreements negotiated prior to the EIA did not require that hiring results be reported by each employer within a project, it is difficult to evaluate project compliance even on an individual project basis.

Due to the variation in agreement requirements, the 18 projects with reported hiring results can only be compared by their compliance with the 50% Boston resident hiring goal. As of July 1984, only nine of the 18 projects reported compliance with the 50% Boston resident hiring goal; four of the 18 projects had reached 75-90% of the target goal and five of the projects had attained less than 60% of the target. There are many variables that could have contributed



to these different compliance rates. The NDEA considers the following factors to be important: the degree of political pressure and publicity associated with the project; the degree of financial leverage the City retained over the developer or employer; the City's access to and control over employers; and the size of the project and employers involved. My own interpretation of the hiring results revealed another, perhaps more important factor influencing project compliance: the type of industry that the employers are in. The following analysis will compare the 18 agreements in order to test the importance of these variables. The importance of the variables will also be investigated more thoroughly in the case study.

#### FACTORS THAT SEEM TO INFLUENCE COMPLIANCE

All of the nine projects found in compliance with the 50% Boston resident hiring goal were projects in which the employers were in the type of industries most likely to hire Boston residents: traditional blue-collar manufacturing and service sector industries that employ a high percentage of low-paid, low-skilled workers.<sup>10</sup> Given that the resident hiring goal applies to the total workforce (not by occupation) and that Boston residents tend to be employed in low-paying, low-skilled positions, it follows that the higher the percentage of low-paying, low-skilled positions in an industry or business, the more likely the resident hiring

goal will be met. The predominance of low-skilled jobs is implied by the finding that most of the employers found in compliance with the Boston resident hiring goal had also hired a high percentage of persons classified as "low/moderate income" (even if they were not required to do so by the agreements), presumably to fill low-paying, low skilled positions. For example, the employers at Copley Place (two hotels and many retail businesses) collectively reported hiring 62% Boston residents and 82% low/moderate income persons. The five employers in the manufacturing sector found in compliance reported hiring 52-82% Boston residents and 75-93% low/moderate income persons. In contrast, most of the nine projects not found in compliance with the Boston resident hiring goal also did not report hiring high percentages of low/moderate income persons, although some of these employers were in the manufacturing sector. These results suggest that the non-complying employers probably do not employ a high percentage of low skilled labor (for example, manufacturing firms that produce specialized rather than mass-produced products), and thus may have difficulty attaining the Boston resident hiring goal because Boston residents tend not to have adequate skills.

Another variable that seemed to affect project compliance was the degree of political pressure and publicity associated with the project. For example, two of the projects found in compliance with all minority, female, low/moderate income, and impact area resident hiring goals as

well as the 50% Boston resident hiring goal were the UDAG assisted Copley Place development and Cablevision, a City licensed cable TV company. Both projects were well publicized, expected to have City-wide impacts, and would create a large number of permanent jobs: thus they were under tremendous public pressure to fulfill their permanent jobs hiring commitments. Conversely, most of the projects that have not achieved the 50% Boston resident hiring goal involved smaller and less-publicized industrial businesses. Many of these projects are located outside of the downtown Boston area and are thus outside the center of public attention.

Project compliance also seemed to be influenced by the degree of financial leverage that the City retained over the developer or employer (depending on who signed the agreement). Although neither the EIA nor the earlier permanent jobs hiring agreements specify any sanctions for non-compliance, the City can have some financial leverage over a project by threatening to withhold financial subsidy. For example, the NDEA attributes the compliance of the developer of Copley Place in part to the fact that the UDAG loan was administered in installments, enabling the City to delay payments over questions of non-compliance. However, it is unlikely that the City could recover already distributed funds if permanent jobs hiring goals are not met, due to the difficulty of proving that the developer or employer did not

use its "best efforts." Thus, the City has no financial leverage over developers or employers that receive the full amount of their financial assistance prior to the hiring of permanent employees, as is the case with projects receiving State-subsidized industrial revenue bonds.

Two other variables that seemed to affect project compliance were: whether the permanent jobs hiring agreement was negotiated with the project developer (in the case of speculative developments) or directly with the employer (in the case of employer-initiated developments) and whether the project involved many small employers or a few large employers. Only four of the 18 agreements were negotiated with project developers rather than directly with employers. In these four cases, the employers are tenants and are not legally bound to the hiring agreement because the lease language between the developer and tenant only "encourages" tenant compliance. The NDEA also does not have direct access to the employer's hiring records because the tenants report to the NDEA through the developer. Thus, compliance in these projects should be lower than in projects where the NDEA can hold employers directly responsible. Since compliance is determined by the total project, not based on individual employers, compliance should also be lower if the project involved many small employers rather than a few large employers: the more numerous the employers the greater the effort required of the developer and the City to monitor and promote compliance. The limited sample of four developer

negotiated agreements tends to support this reasoning. The Copley Place development was the only one of the four projects found in compliance, and this compliance could be attributed to the other factors previously discussed. In addition, as the case study will reveal, not all of the employers at Copley Place are in full compliance. In fact, the project's overall compliance is primarily due to the compliance of the two hotel employers which account for over 50% of the permanent jobs created. The size and number of employers also appear to have been factors affecting compliance in one of the other developer-negotiated agreements, the Boston Marine Industrial Park. In this case, the project did not reach full compliance even though it was developed and managed by the City's own Economic Development and Industrial Corporation (EDIC). This surprising result can be explained by the fact that the project involved leases with at least 28 different small industrial tenants, making the EDIC's role of monitoring and promoting tenant compliance difficult to fulfill.

## CASE STUDY OF COPLEY PLACE PERMANENT JOBS HIRING AGREEMENT

### HISTORY OF PROJECT

#### Description of Copley Place Development

Copley Place is a massive \$540 million mixed-use development located on 9.5 acres of land and air rights over the Massachusetts Turnpike leased from the State's Massachusetts Turnpike Authority (MTA). The development totals 3.4 million square feet of building space including: 385,000 square feet of retail space; two hotel towers 36 and 38 stories high; four 7-story office buildings; and a 9-story apartment building [Yudis: 1984]. Copley Place marks the junction of several Boston neighborhoods, including the Back Bay, Bay Village, South End, St. Botolph, and Fenway neighborhoods. In addition, the development abuts Boston's historic Copley Square.

The Copley site was cleared in 1965 by the MTA as part of the Massachusetts Turnpike extension. It remained undeveloped and desolate for 15 years, creating a major blight in the surrounding neighborhoods. The combination of Turnpike interchanges, railroad and utility rights-of-way, and large vacant spaces made the site hazardous to both pedestrian and vehicular traffic, thus presenting a physical barrier between the adjacent neighborhoods. Unfortunately, the existing roadways and rights-of-way also made development

of the site difficult, requiring construction over roadways and major street and utility relocations.

The State had been approached many times by developers with proposals to lease and develop the Copley site. However, partly due to a weak development climate in Boston, these earlier proposals were not able to meet the City and State development objectives. Market conditions strengthened in the 1970's, however, and in 1977 a development team with substantial expertise and financial backing expressed interest in the site. The funding and development expertise came primarily from one of the partners in the development team, the Urban Investment and Development Company (UIDC), a Chicago-based, wholly-owned subsidiary of Aetna Life and Casualty. UIDC had recently completed a 3 million square foot retail/office/hotel development in Chicago and proposed to construct a similar development at the Copley site. In addition to UIDC's strong track record and financial resources, UIDC had obtained a firm commitment from a major hotel chain [Hollister and Lee: 1979].

#### Planning Process: The "Front End" Approach

The State was concerned with the negative impacts that such a large development could produce but at the same time was anxious to have the Copley site developed and impressed with the strength of UIDC's proposal. UIDC's proposal for "Copley Place" came in the wake of the infamous "Park Plaza"

development fiasco nearby in Boston. In the case of Park Plaza, both the City and the State had followed a traditional planning approach: 1) preparing development guidelines for the site based on a preliminary assessment of the potential environmental impacts; 2) soliciting fairly detailed development proposals; 3) choosing a proposal; and 4) submitting the chosen proposal to a public hearing and approval process. The State was painfully aware of the failure of this traditional planning approach at Park Plaza: public opposition to the chosen development proposal was so strong that project approval was delayed for six years and the developer eventually withdrew from the project. In retrospect, the State realized that much of the public outrage over Park Plaza could have been avoided by incorporating public review into earlier stages of the planning process [Hollister and Lee: 1979].

To avoid another fiasco like Park Plaza and minimize the risk of losing UIDC's commitment to the project, Governor Dukakis chose a "front end" planning approach for Copley Place. The State granted an option to UIDC for the development of Copley Place but required UIDC to subject all proposals to the scrutiny of a Citizens Review Committee. Thus, the final development concept evolved through interaction between the developer and the public: the public was able to propose as well as react to plans.

The Citizens Review Committee (CRC) for Copley Place was formed by representatives from at least 25 community and



neighborhood organizations. Through a series of workshops and informal meetings, the CRC formulated recommendations for the development of the site to be presented to the State and negotiated with UIDC. The CRC recommendations centered on five major concerns: 1) maximizing economic benefits to the surrounding communities; 2) rejoining adjacent neighborhoods; 3) coordinating scale and design with nearby projects; 4) improving pedestrian access; and 5) ameliorating significant adverse physical, social, and economic impacts.

#### Establishment of Employment Goals

As part of the CRC process, a Task Force on Community Economic Development was formed to make specific recommendations on the employment impacts of Copley Place. The community representatives considered the job creation impact of the development to be one of the most important beneficial aspects of the project. The final UIDC proposal called for the creation of approximately 6,280 permanent jobs (of which 3,350 were expected to be new positions) and 650 construction jobs. At that time, Boston's overall unemployment rate was 7.2%, with even higher rates experienced in the neighborhoods adjacent to Copley Place. In addition, studies indicated that Boston residents were capturing a decreasing portion of the jobs in the City, with only 38% of the City's jobs filled by Boston residents in 1977 [Boston Redevelopment Authority: 1980, p.16]. Thus, one

of the major objectives of the Task Force was to insure that the new jobs created at Copley Place would go to the people most in need and most affected by the project.

Based on current City of Boston labor market statistics, the Task Force recommended that hiring goals of 50% women and 30% minorities be established for the new permanent jobs created at Copley Place. These same goals were later incorporated into the NDEA's standard Employment Initiative Agreement (EIA). Unlike the later EIA, however, the Task Force defined "permanent jobs" to include the part-time and seasonal jobs created at Copley Place because many of the new jobs were not expected to be full-time, year-round positions. The community's concern over the loss of jobs to suburban residents, the high unemployment rates in the neighborhoods near Copley Place, and the issue of neighborhood displacement also spurred the Task Force to recommend 50% Boston resident and 17.2% "impact area resident"<sup>11</sup> hiring goals. The 50% Boston resident goal was modeled after the 1983 Boston City Ordinance for construction jobs. The 17.2% impact area resident goal was based on the fact that 17.2% of the City's labor force resided in the designated impact area. In addition to these hiring goals, the Task Force also recommended that UIDC provide community-oriented retail space at reduced rents to minority and community-owned businesses. These Task Force recommendations were accepted by UIDC and included as provisions in the MTA lease agreement. Three Task Force recommendations were not accepted by UIDC:

1) a 5% hiring goal for handicapped persons; 2) a "first source" requirement for all employers with seven or more employees to provide advance notice of job vacancies to an affirmative action employment office established at Copley Place; and 3) the application of the hiring goals to each business within the development and across every major occupational group within the business, rather than to the project's total workforce.

Subsequent to the MTA lease signing, UIDC increased the scale of its proposal and sought federal subsidy through an Urban Development Action Grant (UDAG). Since the federal Department of Housing and Urban Development (HUD) requires that projects receiving UDAG's provide benefits to low income people, the Citizens Review Committee was able to reinforce the hiring goals included in the MTA lease and propose additional goals for low income people in the UDAG agreement.

## NATURE OF AGREEMENT

### Description of Documents

The earliest document incorporating a permanent jobs hiring agreement for Copley Place was the MTA lease signed by Governor Dukakis and UIDC in 1978 and amended in 1980. The lease has a term of 99 years. Schedule D of the lease (entitled "Affirmative Action") includes the permanent jobs hiring goals negotiated with UIDC during the citizen review

process: 50% Boston residents, 30% minorities, 50% women, 17.2% impact area residents, and "good faith efforts" to hire handicapped persons. These goals are not mutually exclusive and, counter to the Task Force recommendations, apply only to the total number of new permanent jobs created by the development. Other Task Force hiring recommendations included in Schedule D are the establishment of: 1) a recruitment and referral office within the development (the Copley Place Employment Office) to facilitate affirmative action hiring during the initial leasing period; and 2) a Liaison Committee composed of representatives from the Massachusetts Commission Against Discrimination, the Boston Redevelopment Authority, the City and State manpower training agencies, and community based recruitment and training organizations to assist employers with meeting the hiring goals. Schedule D also requires UIDC to notify tenants of its commitment to the hiring goals and encourage the tenants to comply. UIDC must encourage tenants having seven or more employees to report their hiring results to the Liaison Committee "at least every four months during the first five years after the Initial Rent Increase Date and thereafter with such frequency as the [MTA] shall determine." Schedule D also requires UIDC to report to the Liaison Committee "at least once a year to review the overall affirmative action status" of the development. In addition to these hiring agreements, Schedule D requires UIDC to provide 15,000-20,000 square feet of community-oriented

retail space with reduced rents for minority and community owned businesses.

As previously mentioned, UIDC changed its proposal for Copley Place after signing the MTA lease and decided to seek federal subsidy through a UDAG. The Copley Place UDAG Application submitted by the City to HUD in 1980 incorporated the same permanent jobs hiring agreement included in the MTA lease. However, HUD's application guidelines required the City to also estimate the percentage of the permanent jobs created by the project that would be filled by persons of low/moderate income and CETA-eligible persons. Based on employment trends at comparable hotel, retail, and office developments in Boston, 40% of the jobs created at Copley Place were expected to pay salaries that would qualify the employees as persons of low/moderate income [Economics Research Associates: 1979, p.62]. Although the same employment projections indicated that only 1% of the total jobs created at Copley Place would be CETA-subsidized jobs, the City estimated that 25% of the projected jobs could be filled by CETA-eligible persons based on the projection that 25% of the jobs created would be unskilled or service worker positions [Economics Research Associates: p.61]. HUD then included these percentages as additional hiring goals in the UDAG Grant Agreement between the City and HUD.

Two other documents reinforce the permanent jobs hiring agreements established in the MTA lease and UDAG Agreement:

1) the 1981 Grant and Loan Agreement establishing the procedures by which the City would transfer the UDAG funds to UIDC; and 2) the 1983 Copley Place Employment Goals: Plan of Implementation stating UIDC's commitment to the permanent jobs hiring agreements and outlining the steps UIDC would take to fulfill its commitment. These steps included: sponsoring job fairs and informational seminars, producing tenant handbooks describing the hiring agreements, maintaining communication with community-based and governmental recruitment and training agencies, and allocating funds for pre-employment and skills training programs. In addition, in 1984 the City succeeded in obtaining a "first-source" agreement from UIDC requiring the UIDC Management Company (the agency hired by UIDC to maintain and operate Copley Place) to notify the Copley Place Employment Office five days prior to public announcement of any job vacancies.

#### Role of the Liaison Committee

The Copley Place Permanent Jobs Hiring Liaison Committee was established in 1982 to assist the employers at Copley Place with meeting the hiring goals, in accordance with the Task Force recommendations and the MTA lease. The Committee included representatives from the MTA, the State Employment Training Council, the Massachusetts Commission Against Discrimination, the Boston Redevelopment Authority, the NDEA,

Action for Boston Community Development (a community-based organization), and the affirmative action officer for UIDC.

While none of the documents comprising the Copley Place permanent jobs hiring agreement gave the Committee formal authority to enforce the hiring agreement, Schedule D of the MTA lease empowered the Committee to "establish such procedures as it deems necessary to its operation." Moreover, both UIDC and the Copley Place employers were under the impression that the Liaison Committee had the authority to monitor their hiring practises.<sup>12</sup> Thus, the Committee was able to with confront the Copley Place employers directly rather than through UIDC and to obtain the hiring results of these employers by occupation rather than for the entire workforce. As will be discussed further in the section on compliance, face-to-face contact with employers was a key factor in obtaining compliance, and hiring reports by occupation were critical in achieving affirmative action at management levels.

In addition to monitoring the hiring process at Copley Place, the Committee assisted employers in recruiting Boston residents, minorities, women, and low income persons by recommending hiring procedures targeted towards these populations, participating in job fairs and mass hirings, helping to establish the Copley Place Employment Office, and linking employers with appropriate community-based organizations and job training and referral agencies.

### Role of the Neighborhood Development and Employment Agency

As previously mentioned, the City of Boston's UDAG Management Plan identified the City's Neighborhood Development and Employment Agency (NDEA) as the agency responsible for monitoring and enforcing the hiring agreements included in the City's UDAG agreements. In the case of Copley Place, the Liaison Committee largely fulfills the NDEA's role although the NDEA is responsible for reporting the project's overall hiring results to HUD on a semi-annual basis.

### HIRING PROCESS AND RESULTS TO DATE

#### Results to Date

As of October 1984, UIDC reported that the employers at Copley Place had hired 3,143 new permanent employees: 62% of these employees were Boston residents, 35% minorities, 50% women, 26% impact area residents, 83% persons of low/moderate income, and 6% CETA-eligible persons. Thus, the employers at Copley Place had collectively fulfilled or exceeded all of the hiring goals except for the 25% CETA-eligible goal. However, analysis of the reports made by the larger employers to the Liaison Committee reveals that, on an individual basis, none of the larger employers had fulfilled all of the hiring goals, even excluding the CETA-eligible hiring goal. As indicated in Table 1, the Marriott and Westin Hotels and the UIDC Management Company have come close but not reached



TABLE 1

COPLEY PLACE HIRING RESULTS  
(as of October 1984)

EMPLOYER	NEW HIRES TO DATE	%BOSTON RESIDENTS	%MINORITY	%FEMALE	%IMPACT AREA RESIDENTS	%LOW/MOD INCOME	%CETA- ELIGIBLE*
MARRIOTT HOTEL	955	65.6%	44.0%	47.0%	17.3%	94.7%	---
WESTIN HOTEL	829	62.6%	47.0%	40.7%	27.1%	97.3%	14.1%
NEIMAN-MARCUS DEPT STORE	235	48.1%	23.4%	63.0%	22.1%	82.6%	0.4%
UIDC MANAGEMENT CO	171	53.8%	46.8%	39.8%	24.6%	69.6%	9.9%
72 OTHER RETAIL STORES	953	61.3%	17.5%	59.1%	35.8%	60.1%	4.3%
TOTAL DEVELOPMENT	3,143	61.5%	35.4%	50.0%	26.3%	82.6%	5.6%
HIRING GOAL		50%	30%	50%	17.2%	40%	25%

\*Private employers have difficulty determining CETA-eligibility without violating privacy laws. Thus, these reports are not accurate counts of the number of CETA-eligible persons hired.

SOURCE: Progress Reports by Copley Place employers to the Copley Place Liaison Committee, July-October 1984.

the 50% female hiring goal, the Neiman-Marcus department store has almost met the 50% Boston resident hiring goal but is far from reaching the 30% minority hiring goal, and the 72 other retail stores are even further from collectively meeting the minority hiring goal. On the other hand, Table 1 demonstrates that all of the employers reporting to the Liaison Committee have managed to meet the 17.2% impact area resident and 40% persons of low/moderate income hiring goals.

In addition to these hotel, retail, and building management positions, UIDC had estimated that approximately 3,000 office jobs would be created at Copley Place. These office jobs were expected to be filled primarily by employees transferred from other locations rather than new employees. Thus, neither the Liaison Committee nor the NDEA require these office employers to report their hiring results.

Finally, it is important to note that the apparent failure of all employers to meet the CETA-eligible hiring goal is partly due to the difficulty that private employers faced in determining CETA-eligibility. The federal government's criteria for determining CETA-eligibility included detailed information on the applicant's prior income (including welfare payments) and family status. Private employers do not generally ask for this type of information because of privacy laws and are thus unable to identify CETA eligible applicants or employees. In contrast, HUD and the NDEA permit employers to classify persons of low/moderate

income based on the salaries they will be paid upon employment.

### Hiring Process

Due to the large number of employees hired at one time, new hotels generally use the services of state employment agencies to recruit and hire employees from statewide labor pools.<sup>13</sup> Both the Westin and Marriott Hotels at Copley Place decided to conduct such mass hirings through the Massachusetts Division of Employment Security (DES). However, since the DES conducts mass hirings based on the skills required by the employers and does not necessarily target Boston residents, minorities, women, or low income persons, the Liaison Committee convinced the hotel employers to supplement the DES hiring with other hiring practises. Both the Marriott and Westin Hotels went beyond their normal hiring procedures by sponsoring community job fairs, advertising in community, minority, and women's newspapers, and recruiting employees from community-based referral and training agencies. The Westin Hotel also held special meetings with women's organizations and sponsored job fairs for women. In addition, the Marriott Hotel agreed to hire 10 Boston minorities to be trained for management level positions, even though they normally train and promote employees for management positions from within.<sup>14</sup>

The next largest employer, the Neiman-Marcus department store, initially began to hire employees through its

traditional method of advertising in major newspapers. However, these initial hirings resulted in very low percentages of minorities and Boston residents hired. Acting on the Liaison Committee's recommendations, Neiman-Marcus also sponsored a job fair in the minority community in Boston. While the job fair was successful in attracting minority and Boston resident applicants, Neiman-Marcus ended up hiring very few of these applicants. Although the Committee has managed to increase the Boston resident and minority hiring at Neiman-Marcus, the store has still not come close to achieving the minority hiring goal.

Surprisingly, the Liaison Committee has also had difficulty obtaining compliance from the UIDC Management Company, the building management company hired by UIDC. The Committee was especially concerned with UIDC Management's non-compliance because it expected UIDC's own management company to set an example for the rest of the Copley Place employers. Despite constant pressuring and even direct recruitment and referral by the Committee, the UIDC Management Company has not meet the 50% female hiring goal.

Except for a few of the larger employers, the Liaison Committee has not asked the 72 other retail stores at Copley Place to report individually to the Committee. These stores range in size from a specialty shop of two employees to a restaurant of 124 employees, with a mean size of 13 employees. As Table 1 indicates, these 72 retail

establishments collectively exceeded the Boston resident, women, impact area resident, and persons of low/moderate income hiring goals but were extremely low in the percentage of minorities hired.

## FACTORS INFLUENCING COMPLIANCE

### Type of Industry

In the case of Copley Place, the type of industry appears to have been a critical factor in determining the employer's compliance. As was previously noted, since the hiring goals are applied to the entire workforce and not by occupations, the higher the percentage of low-paid, low skilled labor employed in an industry, the more likely the employers will comply with the goals. It is worth noting that industry statistics for the metropolitan Boston area indicate that 61% of the labor force employed in hotels are in the lowest paying "unskilled" or "service worker" positions and 48% of the labor force employed in department stores are also in generally low-paid positions of "sales workers" [U.S. Equal Employment Opportunity Commission: 1983]. The employers themselves anticipated having little problem meeting the hiring goals because the goals were generally consistent with their established hiring patterns.

Further analysis of hotel and department store hiring patterns in Boston reveals that the major employers at Copley

Place would probably have met most of the hiring goals even without the permanent jobs hiring agreement. In fact, except for a much higher percentage of minorities hired, the hiring patterns of the employers at Copley Place do not differ markedly from industry-wide hiring patterns in Boston. As Table 2 demonstrates, union statistics on employees at eight Boston hotels indicate that Boston and impact area residents (as defined in the Copley Place hiring agreement) tend to comprise a large percentage of the unionized workforce--generally exceeding the 50% Boston resident and 17.2% impact area resident hiring goals. The distribution for all eight unionized Boston hotels is 69.4% Boston residents and 22.6% impact area residents, compared to the 65.6% and 62.6% Boston residents and 17.3% and 27.1% impact area residents hired by the Copley Place Marriott and Westin Hotels, respectively (see Table 1). Union statistics on one of the few unionized department stores in Boston suggest that the hiring results at the Neiman-Marcus department store may also be similar to industry-wide hiring patterns: the unionized Boston department store employed 44.9% Boston residents compared to the 48.1% Boston residents hired by Neiman-Marcus.<sup>16</sup> Although the unionized workforce does not include management level employees, these employees (defined as officials and managers, professionals, and technicians) comprise only 14% and 18% of the workforce in metropolitan Boston hotels and

TABLE 2

DISTRIBUTION OF EMPLOYEES IN UNIONIZED BOSTON HOTELS  
(as of February 1985)

EMPLOYER	# UNION EMPLOYEES*	%BOSTON RESIDENTS**	%IMPACT AREA RESIDENTS**
COLONNADE HOTEL	202	74.3%	32.7%
COPLEY PLAZA HOTEL	303	70.3%	23.4%
COPLEY SQUARE HOTEL	30	76.7%	23.3%
LENOX HOTEL	111	73.0%	28.8%
PARK PLAZA HOTEL	429	70.9%	16.6%
PARKER HOUSE HOTEL	374	64.2%	16.8%
RITZ CARLTON HOTEL	286	58.4%	17.1%
SHERATON BOSTON HOTEL	653	73.5%	27.6%
TOTAL	2,388	69.4%	22.6%

\*These figures do not include managers, professionals, and technicians.

\*\*"Boston" and "Impact Area" residents as defined in the Copley Place permanent jobs hiring agreement.

SOURCE: Membership mailing lists of the Hotel, Restaurant, Institutional Employees and Bartenders Union, Local 26 in Boston.

department stores, respectively [U.S. Equal Employment Opportunity Commission: 1983].

Union contracts do not required unionized Boston hotels and department stores to give preference to Boston residents. Thus, the union statistics suggest that Boston hotels and department stores generally hire nearby residents. I propose two plausible explanations for this tendency: 1) the employers (especially the hotels) prefer to hire employees that can walk or ride mass transit to work and are thus more flexible and reliable in adverse weather or traffic conditions; and/or 2) the majority of the positions available do not pay enough to attract suburban residents who tend to have higher incomes and skill levels.

As Tables 3 and 4 illustrate, the distribution of females in the metropolitan Boston hotel and department store labor forces as well as the distribution of females employed in metropolitan Boston hotels and department stores are similar to the Copley Place hiring results: there are 50.2% and 45.8% females in the metropolitan Boston hotel labor force and employed by metropolitan Boston hotels, respectively, and 70.3% and 67.0% females in Boston's department store labor force and employed by Boston department stores, respectively. By comparison, the Copley Place Marriott and Westin Hotels hired 47.0% and 40.7% females, respectively, and the Neiman-Marcus department store hired 63.0% females (see Table 1).



TABLE 3

DISTRIBUTION OF MINORITIES & FEMALES  
 IN HOTEL & RETAIL INDUSTRY LABOR FORCES  
 (Boston Standard Metropolitan Statistical Area, 1980)

INDUSTRY	EXPERIENCED CIVILIAN LABOR FORCE*	%MINORITY**	%FEMALE
HOTELS & LODGING PLACES	11,064	14.6%	50.2%
TOTAL RETAIL TRADE	215,090	5.5%	50.0%
Department Stores	24,526	4.1%	70.3%
Apparel & Accessory Stores	19,176	5.6%	68.3%
Eating & Drinking Places	58,946	9.6%	50.5%

\*"Experienced Civilian Labor Force" includes all employed and experienced unemployed persons residing in the Boston SMSA (including part-time & seasonal employees).

\*\*The U.S. Bureau of the Census cautions that Census counts tend to underestimate Blacks, Hispanics, and persons of low income.

SOURCE: 1980 U.S. Census of Population: Detailed Population Characteristics (PC80-1-D), Table 227. Data are estimates based on a sample.

TABLE 4

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 DISTRIBUTION OF MINORITIES & FEMALES  
 EMPLOYED IN HOTELS & DEPARTMENT STORES  
 (Boston Standard Metropolitan Statistical Area, 1983)

INDUSTRY	#EMPLOYEES*	%MINORITY**	%FEMALE**
HOTELS, MOTELS, AND TOURIST COURTS	7,103	25.7%	45.8%
DEPARTMENT STORES	28,749	6.9%	67.0%

\*These totals only include the employers located within the Boston SMSA that are required to report to the EEOC: employers with 100 or more employees.

\*\*The EEOC does not count temporary or seasonal employees. Since these positions tend to be disproportionately filled by women and minorities, the EEOC figures may underestimate the actual percentages of females and minorities employed.

SOURCE: U.S. Equal Employment Opportunity Commission,  
 1983 EEO-1 Report Summary By Industry Within SMSA.

A similar comparison of Tables 3 and 4 to Table 1 reveals, however, that the Copley Place employers have succeeded in hiring a much higher percentage of minorities than would be expected given the distribution of minorities in the metropolitan Boston hotel and retail labor forces and the distribution of minorities employed by metropolitan Boston hotels and department stores. The Copley Place Marriott and Westin Hotels have both exceeded the 30% minority hiring goal although minorities comprise only 14.6% of the metropolitan Boston hotel labor force and metropolitan Boston hotels overall employ only 25.7% minorities. While neither the Neiman-Marcus department store nor the 72 other retail stores at Copley Place have succeeded in meeting the 30% minority hiring goal, the 23.4% and 17.5% minorities that have been hired, respectively, far exceed the industry-wide patterns of less than 10% minorities in the metropolitan Boston retail labor force or employed by metropolitan Boston department stores.

Tables 5 and 6 demonstrate that compliance with minority and female hiring goals is also related to the occupational distribution within an industry: the higher the percentage of low-paid, low-skilled jobs, the more likely the compliance. Not surprisingly, the distributions of minorities and females employed by metropolitan Boston hotels and department stores overall as well as by the major Copley Place employers are generally much higher within the lower paying unskilled/service or sales worker positions than in

TABLE 5

DISTRIBUTION OF MINORITIES & FEMALES  
EMPLOYED IN BOSTON HOTELS BY SELECTED OCCUPATIONS  
(1983-1984)

OCCUPATION*	%MINORITY	%FEMALE
HOTEL EMPLOYERS REPORTING TO EEOC		
Managers/Professionals/Technicians	10.2%	33.8%
Unskilled/Service Workers	33.2%	44.3%
COPLEY PLACE MARRIOTT HOTEL		
Managers/Professionals/Technicians	23.8%	36.5%
Unskilled/Service Workers	55.9%	47.4%
COPLEY PLACE WESTIN HOTEL		
Managers/Professionals/Technicians	16.3%	33.8%
Unskilled/Service Workers	51.6%	38.3%

\*Occupational categories as defined by and reported to the Equal Employment and Opportunity Commission.

SOURCES: U.S. Equal Employment Opportunity Commission,  
1983 EEO-1 Report Summary by Industry Within SMSA.

Progress Reports by Copley Place employers to  
Copley Place Liaison Committee, July-October 1984.

TABLE 6

DISTRIBUTION OF MINORITIES & FEMALES  
 EMPLOYED IN BOSTON DEPARTMENT STORES BY SELECTED OCCUPATIONS  
 (1983-1984)

OCCUPATION*	%MINORITY	%FEMALE
DEPARTMENT STORE EMPLOYERS REPORTING TO EEOC		
Managers/Professionals/Technicians	3.6%	47.0%
Sales Workers	7.0%	78.0%
COPLEY PLACE NEIMAN-MARCUS DEPARTMENT STORE		
Managers/Professionals/Technicians	0.0%	65.6%
Sales Workers	20.0%	71.4%

\*Occupational categories as defined by and reported to the  
 Equal Employment and Opportunity Commission.

SOURCES: U.S. Equal Employment Opportunity Commission,  
 1983 EEO-1 Report Summary by Industry Within SMSA.

Progress Reports by Copley Place employers to  
 Copley Place Liaison Committee, July-October 1984.

the managerial/professional/technician positions. Thus, compliance with minority and female hiring goals in these industries is largely due to the dominance of lower level occupations. However, while the distributions of females hired by the hotels and department store at Copley Place resemble the distributions of females hired by all metropolitan Boston employers in these industries (across all occupations), Tables 5 and 6 indicate once again that the major Copley Place employers have hired a much higher percentage of minorities than the metropolitan Boston employers overall, for both management and lower level positions. The Neiman-Marcus department store presents two notable exceptions to these findings. While Neiman-Marcus has succeeded in hiring a much higher percentage of women for management level positions than the metropolitan Boston department stores employ overall, the store has failed to match even the meager percentage of minorities employed in management level positions in the metropolitan Boston department stores. In fact, Neiman-Marcus has not hired a single minority for a management level position to date.

Finally, it is important to note that in the case of the persons of low/moderate income hiring goal, the type of industry and occupational distribution determined the goal itself as well as compliance with the goal. As previously described, the 40% persons of low/moderate income hiring goal was set by HUD based on the City's estimate that 40% of the jobs created at Copley Place would pay salaries that would

qualify the employees as persons of low/moderate income. The City's projections were based on salary distributions from comparable hotel, retail, and office employers in Boston. Although all of the major Copley Place employers have hired more than the predicted 40% persons of low/moderate income, this result is more a reflection of the inaccuracy of the City's projections than of the employers' attempts to recruit persons of low/moderate income. Since the NDEA (with HUD's concurrence) allows the employers to classify employees as persons of low/moderate income based on the salaries they will be paid at Copley Place, the fact that employers have exceeded the 40% goal simply implies that more than 40% of the positions available pay salaries that are below the defined low/moderate income level. In fact, by permitting the employers to classify persons of low/moderate income in this manner, the City (and HUD) may actually encourage employers to pay low salaries in order to comply with the hiring goals. This is probably not the case at Copley Place, however, because the qualifying salary level according to HUD's definition of low/moderate income is much higher than the median salaries paid in hotel and retail industries.

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#### Political Pressure

The size and location of Copley Place alone were enough to focus public attention on the development. In addition, as previously discussed, Copley Place presented an

opportunity for the Mayor and the Governor to redeem themselves after the Park Plaza fiasco. Finally, the project's receipt of an \$18.5 million UDAG, the largest public subsidy in Boston's history, forced the developer, the City, and the State to demonstrate that concrete public benefits would be produced in exchange for the subsidy.

The Copley Place permanent jobs hiring agreement was the first comprehensive employment agreement to be negotiated with a private developer in Boston. Unfortunately, the language of the agreement does not require compliance with the hiring goals, only that the developer use its "best efforts" to comply. As a result, the City and the State had limited legal control and resorted primarily to political pressure. Mayor White, Governor Dukakis, and both of their staffs were in direct contact with UIDC. In addition, Mayor White held special meetings with the managers of the Marriott and Westin Hotels [Hawes: May 1, 1980]. Luckily, both UIDC and the employers at Copley Place were vulnerable to such pressure. UIDC wanted to establish a good relationship with the City to facilitate future UIDC projects in Boston, and the hotel and retail employers realized that their businesses also depended on a good public image.<sup>18</sup>

The Mayor, Governor, and their staffs were also motivated by the tremendous amount of public attention focused on the employment impact of Copley Place.<sup>19</sup> In addition to public participation in formulating the permanent jobs hiring agreement, public "watchdog" organizations made



sure that all parties involved fulfilled their roles. For example, in 1983 the Massachusetts Association of Community Organizations for Reform Now (ACORN) filed an administrative complaint with HUD claiming that the City was not implementing the permanent jobs hiring agreements in accordance with the provisions in the UDAG.<sup>20</sup> ACORN's complaint was accompanied by protest marches by community residents outside of the NDEA offices and also at Copley Place. Although HUD eventually resolved the complaint in the City's favor, ACORN felt that the publicity caused the City, UIDC, and the employers at Copley Place to give more serious<sup>21</sup> attention to the hiring agreement.

#### Financial Leverage

Similar to the later Employment Initiative Agreement (EIA), the Copley Place permanent jobs hiring agreement does not specify any sanctions or corrective action that can be taken against UIDC if the hiring goals are not met. However, since the UDAG payments to UIDC were administered in installments (with payments still forthcoming), the City was able to withhold payments in order to force UIDC to meet the terms of the loan agreement. The City could not legally withhold payments if UIDC failed to meet the hiring goals because the hiring agreement only called for UIDC to make a "best efforts" attempt. In practise, however, the City withheld UDAG payments often over the history of the loan for

various reasons: although not the publicly-stated reason, dissatisfaction with UIDC's hiring practises caused the City to delay payment on at least one occasion. Prior to the project's completion, community groups questioned UIDC's fulfillment of the construction jobs hiring goals and were skeptical over UIDC's commitment to the permanent jobs hiring agreement. According to the NDEA, Mayor White wanted UIDC to demonstrate a strong commitment to the permanent jobs hiring agreement and, not coincidentally, the City found reasons to withhold UIDC's next UDAG payment. Both the City and UIDC understood that the Mayor's concern over the permanent jobs hiring agreement was one of the major reasons for withholding the payment. As a result, UIDC prepared the Copley Place Employment Goals: Plan of Implementation committing UIDC to specific, verifiable actions that would be taken to meet the agreement, and the withheld payments were released.  
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#### Control Over Employers

The Copley Place permanent jobs hiring agreement only gave the City legal authority over UIDC. The City had no formal access to or control over the employers themselves. The City was also unable to extend its financial leverage over the employers because the employers did not receive any benefit from the UDAG payments. The Copley Place Liaison Committee was able to circumvent these restrictions to a limited degree, however, due to the MTA lease provision which

permitted the Committee to establish procedures as it deemed necessary to its operation and the employers' impression that the Committee had more formal authority. By asking the Copley Place employers to report their hiring results individually, the Liaison Committee was able to determine which employers were not complying with which goals and act accordingly. The Committee was also able to persuade the employers to report their hiring results according to job categories. Access to this information was essential for the Committee to monitor and achieve limited success in promoting compliance in management level positions.

Although the Committee had no legal authority to enforce employers' compliance, the Committee operated on the "power of intimidation." In this regard, the Committee felt that their ability to require the Copley Place personnel managers and upper level policy-makers to report in person was crucial. This face-to-face contact reinforced the managers' personal commitment to the hiring goals: with little legal or financial control over employers, the Committee felt that compliance hinged upon such personal commitment.<sup>23</sup>

Overall however, the City and the Liaison Committee had only limited control over the employers. While the Committee succeeded in improving minority recruitment at the Neiman-Marcus department store, it could not force the store to hire qualified minority applicants. Likewise, the Committee was unable to force the UIDC Management Company to increase its

female hiring, even though the Committee itself referred qualified female applicants.

#### Size of Project and Employers

The Copley Place example tends to support the hypothesis that the size of the project and the number of employers affect the enforcement of and thus compliance with the hiring goals. Copley Place ultimately included close to 100 individual employers (excluding the office tenants). Thus, the Liaison Committee did not have enough time to meet with all of the Copley Place employers on an individual basis (the Committee met approximately once a month during the initial hiring period). Since the hiring agreement applied only to the project's total workforce, both the City and the Liaison Committee were primarily concerned with the two hotels and the department store which collectively accounted for over 60% of the total workforce. These employers also received the most public attention. Comparison of the hiring results for the major retail employer, Neiman-Marcus, to the collective hiring results of the 72 smaller retail employers suggests that the greater attention paid to large employers produced more significant changes in hiring results. Although both Neiman-Marcus and the 72 smaller retail employers (reporting collectively) surpassed the industry wide pattern for minority hiring, Neiman-Marcus hired a larger percentage of minorities than the 72 smaller retail stores collectively hired (see Table 1).

## FUTURE COMPLIANCE

With over 90% of the new permanent jobs filled at Copley Place, the Liaison Committee will no longer meet on a regular basis. However, any Committee member can call a meeting on an ad hoc basis if they feel it is necessary. <sup>25</sup> UIDC will continue to report the project's aggregate employment statistics to the NDEA according to the terms of the MTA lease and UDAG agreements. Although the NDEA has attempted to obtain these reports by individual employers and occupations, UIDC has often refused to comply because it is not required to do so by the agreements. As has been demonstrated, aggregate reports can be misleading. If the NDEA cannot obtain reports by individual employers, many of the gains made by the Liaison Committee may be lost. This is especially a concern because of the high employee turnover in the hotel and retail industries. However, even if the NDEA succeeds in obtaining reports by individual employers, the NDEA does not have the Liaison Committee's informal authority to confront these employers face-to-face.

## CONCLUSION

An evaluation of Boston's permanent jobs hiring agreement program must first start by defining the general objective of the program. It is important to recognize that the objective of the program is not simply to attain the targeted hiring percentages; these hiring goals are merely mechanisms for achieving the program's broader objective of changing the hiring patterns of Boston employers in a manner that will benefit Boston residents, minorities, females, and low income persons. In this respect, any positive change in the employers' hiring patterns that can be attributed to the hiring agreements should be regarded as evidence of the success of the program, whether or not the target percentages are met.

Given this general objective, Boston's permanent jobs hiring agreements appear to have produced only mixed results to date. The example of Copley Place demonstrates that even if employers take special steps to improve their hiring practises, their hiring results may not differ markedly from industry-wide hiring patterns. At Copley Place, this may be due to the fact that the hiring goals set in the Copley Place permanent jobs hiring agreement were not high enough to serve as goals for the hiring of Boston residents, females, and low income persons in the hotel and retail industries. On the other hand, the minority hiring goal may have been too high. While minority hiring appears to be the only area in which

Copley Place employers exceeded industry-wide hiring patterns, it is also the only area in which employers were far from meeting the hiring goal set in the permanent jobs hiring agreement.

The importance of the type of industry in determining employer hiring patterns suggests that the hiring goals in the permanent jobs hiring agreements should be tailored to the type of industry involved. Industries that tend to employ higher percentages of low-paid, low-skilled labor (and hence higher percentages of Boston residents, minorities, females, and low income persons) should have higher goals than those that employ lower percentages. In addition, the hiring goals should be tailored to the occupations within each industry to insure that Boston residents, minorities, females, and low income persons are employed in all occupation levels. In this case, the hiring agreements should be combined with skill and management training programs to meet the hiring goals at more skilled occupation levels.

The Copley Place example also demonstrates the importance of working directly with individual employers rather than through project developers to improve employer hiring practises. The Copley Place Liaison Committee played a critical role in promoting compliance with the permanent jobs hiring agreement because of the Committee's ability to establish personal relationships with employers and to

monitor individual employer performance. Although the Committee will no longer meet on a regular basis, continued monitoring of this type seems crucial to maintain the improvements in employer hiring practises that were achieved.

Finally, the Copley Place example indicates a need to strengthen the permanent jobs hiring agreements to give the City more legal and financial control over employers. The current language requiring only that the developer use its "best efforts" and "encourage" tenant compliance should be strengthened to require compliance. The agreements should also specify sanctions to be taken if employers do not comply and, in the case of developer-negotiated agreements, be structured to give the City direct access to and control over employers. For example, the City could link compliance with the permanent jobs hiring agreements to the interest rate charged for publicly-subsidized loans or to property taxes: if employers did not comply, the interest rate or property taxes would be increased. In the case of developer negotiated agreements, the City could obtain access to and control over employers by requiring the developer to hold tenants responsible for compliance in exchange for receiving a share in the public subsidy (in the form of reduced rents, for example).

Although there are many ways to strengthen the permanent jobs hiring agreements, it is important to remember that these agreements rely on the cooperation of private developers and employers. The more burdensome the



agreements, the less likely that developers and employers will accept them in exchange for a limited amount of public subsidy. Indeed, current and impending federal budget cuts indicate that future public subsidies will be even smaller. Thus, the long-term viability of this approach to community economic development can be questioned.

Cities considering the job linkage approach to community economic development may want to consider combining job linkage programs with other approaches that offer potentially longer-term benefits. One approach worth exploring is to link public subsidies to entrepreneurial opportunities for community residents. Once again, Copley Place offers a good example. In accordance with the recommendations of the Citizens Review Committee, Schedule D of the MTA lease agreement required UIDC to "attempt" to set aside 15,000 to 20,000 square feet of retail space for "community-oriented" stores serving to link the Copley Place development with the adjacent neighborhoods. Approximately 50% of this space was to be provided at below market rents to community and minority-owned businesses. In addition, UIDC was expected to provide "equal opportunity" for community and minority-owned businesses to obtain contracts for providing the support services required by the project. As of March 1985, UIDC had developed 17,500 square feet of community-oriented retail space of which at least 70% will be rented at below market rents to at least 10 community and minority-owned businesses.

Although 17,500 square feet of retail space represents less than 5% of the total retail space at Copley Place, these community and minority-owned businesses offer training and employment opportunities for community residents at all occupation levels (including entrepreneurial) as well as provide financial resources to fund future community development.

In conclusion, this analysis of Boston's permanent jobs hiring agreement program indicates that the job linkage approach may be an effective means of promoting community economic development, especially if the hiring agreements are tailored to the type of industry and occupations. The effectiveness of the approach depends on the city's ability to enforce the agreements, either through formal legal and financial authority or through informal political pressure. However, the approach is ultimately limited by the amount of public subsidy that the city can offer to induce employers to cooperate.

## FOOTNOTES

1. This movement originated in the late 1960's when black construction workers formed the United Community Construction Workers to gain access to construction jobs in Boston. The black/minority construction workers movement did not make significant gains, however, until 1976 when it was discovered that local construction unions were also excluding Boston's white residents. Thus, the black/minority construction workers changed their strategy and formed the Boston Jobs Coalition in 1977 with over 40 community groups--white and minority. [Clark: 1985].

2. The Massachusetts Council of Construction Employers and the Boston construction unions argued that the resident hiring quota violated the commerce clause of the Constitution which gives Congress the power to regulate commerce and thus the movement of labor "among the several states." However, the U.S. Supreme Court ruled that the commerce clause does not apply if the city is "participating" in the labor market as an employer or contributor of funds to the project. [Peirce: 1983].

3. This presentation of the evolution of permanent jobs hiring agreements in Boston is based on interviews with Joan Ducharme, Neil Gordon, and Henry Hardy of the City's Neighborhood Development and Employment Agency (NDEA).

4. "CETA-eligible" refers to the now defunct federal Comprehensive Employment and Training Act which funded jobs for economically disadvantaged persons. As the case study will illustrate, determining CETA eligibility was difficult for private employers. The NDEA now targets the same population under the category of "economically disadvantaged" and refers qualified applicants to the employers so that the employers are not responsible for making this determination.

5. The EIA defines "new permanent jobs" as full-time jobs expected to last at least two years beyond the project's completion that were created by the project, not just transferred from another location within Boston. However, the NDEA's use of the term "new permanent jobs" is confusing. While the EIA definition excludes jobs transferred from another location in Boston, the NDEA often includes "retained jobs" (jobs in existence prior to the project which depend on the project for continued existence) in the total jobs created by a project when determining project compliance. This is because employers do not always report compliance by "new" versus "retained" jobs.

6. "Boston resident" is defined as a person who resides within one of Boston's neighborhoods (as specified); "minority" is defined as an individual having origins in any black racial group of Africa, a person of Mexican, Puerto Rican, Cuban, Central or South American origin, or an American Indian, Alaska Native, Asian or Pacific Islander, or Cape Verdean; and "economically disadvantaged" is defined as a person whose income prior to employment did not exceed specified levels or whose household receives welfare payments or who receives food stamps or who is a foster child on whose behalf state or local government payments are made.

7. HUD classified persons of low/moderate income as persons whose income prior to employment did not exceed 80% of the Boston SMSA median income for persons with the same household size. If prior income and/or household size was unknown, employers were permitted to use current income and assume a household size of four. Thus, in 1984, a person could qualify as having low/moderate income with a salary that did not exceed \$24,650.

8. Boston's labor market statistics and recent employment trends were compiled in September 1983 by the NDEA using the 1980 U.S. Census and a 1982 HUD study of employment in recent Boston developments entitled "The Employment Impacts of Economic Development" [cited in memorandum from Neil Gordon to James Younger, both of the NDEA, September 19, 1983].

9. This reasoning is not entirely logical: since the minority and female hiring goals can be met by hiring minorities and females who are not City of Boston residents, the goals should not be based solely on the distribution of minorities and females in the City labor force.

10. The previously cited 1982 HUD study revealed that Boston residents tend to be hired for lower paying, lower skilled positions in the traditional blue-collar manufacturing and service sectors whereas they are less likely to be employed in the growing white-collar financial, insurance, real estate, and professional service sectors.

11. The Task Force defined the "impact area" as the area surrounding Copley Place which would feel the most impact from development of the project. This area included the neighborhoods of the South End, St. Botolph, Back Bay, Fenway, Lower Roxbury, Bay Village, Chinatown, and South Cove.

12. Interview with Joan Rooney, member of the Copley Place Liaison Committee, NDEA, February 26, 1985.

13. Telephone conversation with John Pope, Massachusetts Division of Employment Security, March 11, 1985.

14. Since the Marriott Hotel operates its management training program on a nation-wide level, these 10 Boston minorities will not necessarily be placed in management positions in the Boston Marriott Hotels.

15. Interview with Joan Rooney, NDEA, February 26, 1985.

16. A comparison of the percentage of impact area residents hired is not appropriate in this case since the unionized department store (the Jordan Marsh department store) is located outside the Copley Place impact area boundaries. The percentage of Boston residents employed at Jordan Marsh was derived from the membership mailing list of the United Food and Commercial Workers Union, Local 1445 in Boston.

17. For example, in 1984 a person earning up to \$24,650 qualified as a person of low/moderate income (assuming a family size of four) whereas the minimum wage rates demanded by Boston's unionized hotel employees did not exceed \$20,000. According to the 1980 U.S. Census, median salaries paid to full-time, year-round employees in the hotel and retail industries were less than \$15,000 in 1979.

18. Interview with Lyda Peters, UIDC, March 21, 1985.

19. Interviews with Joan Ducharme and Joan Rooney of the NDEA, Lyda Peters of UIDC, Mitch Fischman of the Boston Redevelopment Authority, and James McCreight (representing ACORN).

20. ACORN claimed that the City violated the UDAG agreement because it had neglected to require UIDC to target persons of low/moderate income and CETA-eligible persons. In addition, ACORN claimed that the City had violated the federal HUD Section 3 regulations by not setting hiring goals by occupation levels. The City corrected its omission of low/moderate income and CETA-eligible hiring goals. However, HUD ruled that the Section 3 requirement for hiring goals by occupation applied only to the construction-related (not permanent) jobs created at Copley Place.

21. Interviews with James McCreight (representing ACORN) and Joan Ducharme of the NDEA.

22. This example of the City's use of financial leverage to strengthen UIDC's commitment to the hiring agreements is based on interviews with Joan Ducharme and Joan Rooney of the NDEA, Lyda Peters of UIDC, and Mitch Fischman of the Boston Redevelopment Authority.

23. Interviews with Joan Rooney of the NDEA and Agnes McCann of the MTA (both Liaison Committee members).

24. Note that Table 1 suggests a contradictory finding for the hiring of Boston and impact area residents. However, as was previously argued, the hiring of Boston and impact area residents at Copley Place generally conforms with industry wide hiring patterns. Thus, differences in the hiring of Boston and impact area residents are not necessarily due to differences in the enforcement of the permanent jobs hiring agreements.

25. Interview with Joan Rooney, NDEA, April 19, 1985.

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