

# Accelerating Job Creation Impact of Construction Stimulus Resources

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A Suggested Strategy for the City of Los Angeles

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## **Abstract**

This paper suggests a strategy to accelerate the distribution and impact of the American Recovery and Reinvestment Act (ARRA) funds allocated to create jobs within the Transit and Transportation construction industry. The strategy can also serve as an economic development model for state and municipal stimulus programs throughout the United States.

## Introduction

The City Of Los Angeles has led the nation in creating the largest and most active public/private coalition of government and business public employment enterprises. Starting under Mayor Tom Bradley and continuing under Antonio Villaraigosa, Los Angeles has developed a vast network of initiatives to provide employment equal opportunities that are an integral part of every major public and private enterprise serving Metropolitan Los Angeles.

Substantial changes in the core competencies of executives and managers in dealing with equal opportunity employment issues in the multicultural environment have emerged over the past 20 years. Los Angeles' network of public enterprises have adopted efficient organizational designs that have made workforce building and training a competitive effort for long term employment growth. Indeed it may be one of the best in the nation.

The urgency and unstructured issues of creating jobs for an increasingly complex pool of underemployed and unemployed workers poses challenges to the collective strengths of private and public enterprises that are "counter cultural" to world class competition. We have been focusing primarily on employment and training initiatives that optimize competitive and service building for a long-run competitive efficiency. Transportation, public and private enterprises need to urgently pursue employment and training that increase job creation, worker skills, and income flows to the "unemployed and unemployable". Specifically, agencies, public enterprises and private firms must redirect resources and internal energies toward strategies of operations that place high priority on investing in developing, training, and utilization of workers and small business firms at the "bottom of the system".

One part of the challenge to dealing with unemployment is to redirect Los Angeles' unique and efficient equal employment network of private/public enterprises toward complex and urgent unemployment issues. The other part of problem is to understand and deal swiftly with some of the unique features of LA's current unemployment. The scope and depth of unemployment is reaching a new level:

- Unemployment is growing and is expected to reach a high between 13% and 16% by the spring of the calendar year 2010.
- Unemployment is neighborhood sensitive. In some neighborhoods, workers are less mobile and unwilling to travel to job opportunities across neighborhood boundaries. South Los Angeles Neighborhoods and Freeway Corridor Neighborhoods have particularly developed large hardcore, unemployed pools of workers. In some neighborhoods, deep and continuous joblessness is leading to deterioration in the core working values and ethics of working class families.

## Accelerating Job Creation Impact of Construction Stimulus Resources

- More than 60% of families with unemployed bread winners have been without job paying income for six-months or more. Family expectations for income stability, childcare, health, and education are in danger of undermining initiatives to be self sufficiency, the cornerstones of a viable work workforce.
- Long term unemployment is undermining efforts to rebuild our neighborhood business assets and potential to become micro-employers of family members. Without visible local employment opportunities at the neighborhood level, there will be an increasing erosion of small businesses and micro-business initiatives. Many neighborhood staple products and services such as beauty care, home repairs and automobile care are barely keeping their doors open.
- Government supported neighborhood outreach for family stability, gang violence reduction and family support for effective local school initiatives are being undermined by increased structural unemployment generated largely by declines in manufacturing jobs. In the Black community, for example, over 200,000 jobs lost primarily through a declining manufacturing job market has not been replaced at the "bottom of the local employment system". Marginal service jobs that many workers from manufacturing have decline severely as the job recession has deepened.

In short, the economics of unemployment at neighborhood levels is difficult and obstinate. If the underlying joblessness is not pursued with more intensity through an enduring economic stimulus strategy, the socio-economic accomplishments to promote equity and economic opportunities by LA's public/private enterprise system will be endangered.

## **The Federal Highway and Transportation Infrastructure Stimulus Package: A Demonstration Model Opportunity**

Economic stimulus resources to create new jobs and abate the rise in unemployment must be pursued at every level of economic activity in local government. Because of Metropolitan LA's aggressive expansion of transit and highway construction, no stone should be left unturned to pursue Federal economic stimulus allocations to accelerate job creation in transit and highway construction.

One of the goals of Federal economic stimulus initiatives is to increase the participation of undeveloped and disadvantaged firms at the margins of the transportation construction industry. U.S. Secretary of Transportation Ray LaHood, for example, is urging governors and metropolitan mayors to pursue "transformative efforts" and create innovative strategies to provide opportunities for the "under-represented". However, the meaning and potential of such a stimulus goal is hard to gauge in today's diverse market place without on-going models.

Under the Federal FY 2009-2010 American Recovery and Reinvestment Act (ARRA) stimulus package there is approximately \$43 billion calling for \$30 billion in spending for bridges and highway construction, \$10 billion in transit funding, and \$3 billion in airport improvement grants. While these funds will be allocated through annual appropriation, there is surprisingly little creative discussion of explicit programs to accelerate job creation through the use of disadvantaged firms.

We believe there is an urgent national and regional need to explore the accelerated use of disadvantaged firms at the margins of the transit and construction private/public system as a means of transforming impoverished communities and neighborhoods. New jobs would be created and systemic issues of enduring unemployment would be addressed simultaneously. Furthermore, achieving highly leveraged job stimulus allocations at the "bottom of the system" may well jump start neighborhood turnarounds.

Los Angeles is involved in ongoing transportation system expansion of transit, highway and bridges and refurbishment of airport, water, sewage and power infrastructures. LA's network of public/private enterprises offer a rare opportunity to organize a demonstration model:

- To show how to pursue stimulus fiscal spending that leverages opportunity for marginal social and economic disadvantage to participate
- To develop ties between short-term fiscal impacts and long-term job creation over a 5-year period.

## A Suggested Economic Stimulus Project

We suggest preliminary and detailed explorations of three major elements of a demonstration model be explored.

***Element I:*** *Develop a temporary organizational overlay to identify, organize, and promote a program of expanded infrastructure and transit construction opportunities for local and neighborhood firms from the “bottom of the system”.*

We believe that temporary organizations of decision units and staffs can be developed from the expertise and inter-organizational network of private/public enterprises. Metropolitan Los Angeles has evolved a strong system of procurement, contract management, and shared construction activities over the past 25 years.

Through temporary assignments, selected staff and decision units currently engaged in project planning, project scheduling, project monitoring and review, and contract procurement across major public enterprises would meet, confer, and outline targets of opportunity to increase the participation of marginal construction firms and pools of unemployed workers.

The main challenge will be to reshape priorities, redirect focus, and move expeditiously to maximize job and employment opportunities for “noncompetitive” or “startup” construction firms in neighborhoods and to organize programs to match construction contracts and job opportunities with more creative firm capability metrics. Search and selection priorities looking beyond traditional “certification rules” to de novo heuristics developed through interactions with neighborhoods, local business associations, and interagency deliberations should be explored.

***Element II:*** *We need to identify a willing systems integrator with design, implementation, “lessons learned” and economic stimulus experience to provide leadership across the temporary organizational overlay.*

The system integrator shall establish project goals and objectives, guide and oversee performance of temporary organizations, monitor and review outcomes, and serve as spokesperson for the Mayor and Mayor’s Office. Creativity and stimulating system success is the key to the system integrator’s role. By farming out tasks, providing organizational leadership, planning and controlling functions, organizing resources, and setting the objective, the system integrator will help create a framework for a national prototype.

***Element III: Frame as a National Demonstration Prototype.***

The immediate objective of the proposed model is to demonstrate the prowess of tailored initiatives to work with disadvantaged construction firms at margins of procurement system and selectively increase efforts to stabilize the deterioration of joblessness at neighborhood levels. The model will also illuminate the broader issues of equity and fairness in the distribution of economic stimulus resources. There are few if any Metropolitan areas with collaborative and coordinated public/private partnerships to match Los Angeles. Accelerated success in transit and highway construction speaks well to the potential of developing other demonstration models for states and municipalities throughout the country.

**About the authors:**

C.Z. Wilson is Founder & Managing Partner of CZAND Associates. He holds a Ph.D. in Economics and has pursued careers in business, education and public service over the past 30 years. Dr. Wilson served as a Vice-Chancellor at UCLA and as Professors of Economics, Business, and Education at De Paul University, The State University of New York, and UCLA. He was a founder of the National Economic Association and has served as consultant to the City of Los Angeles, the MTA, Ford Foundation and recently, as a consultant to the Ewing Marion Kauffman Foundation for Entrepreneurial Training.

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