

How Localities Can Ensure Racial Diversity in Subsidized Tech Jobs



**GOOD
JOBS
FIRST
.ORG**

By Kasia Tarczynska

Volume 2, Edition 1: May 2024

© Good Jobs First 2024 All Rights Reserved

How Localities Can Ensure Racial Diversity in Subsidized Tech Jobs

Cover photo credit: Getty Images

***Note:** This is the fifth in a series of quarterly reports produced by Good Jobs First that look at the relationship between race, ethnicity, and economic development.*

Summary

Despite promises to diversify their professional workforces, big tech companies have made little progress addressing the significant underrepresentation of workers of color, especially women of color, in their tech jobs.

Local governments have a unique opportunity to address this troubling lack of diversity by conditioning subsidies for big tech companies on local and equitable hiring standards.

Promoting racial diversity among technology workers is not only a matter of economic justice, but also necessary for rooting out “algorithmic bias” and its harms. Localities must ensure that subsidies they award big tech companies to attract tech jobs do not exaggerate occupational segregation in the sector and consequently in their local economies.

Professional jobs in the tech sector lack diversity

Our modern life is made possible by thousands of professional workers working for big technology companies. Those workers perform various jobs from designing and developing software to dealing with cloud security issues. Those are the careers that people hope for, as they come with prestige, high salaries, bonuses, and exceptional benefits.¹ But the profession has been lacking racial diversity.²

Employee demographic reports for five major tech companies – Alphabet (Google), Amazon, Apple, Meta (Facebook), and Microsoft – reveal a profound lack of racial diversity among their professional workforces.³ Only 4.9% of such workers across these five companies are Black and only 6.7% are Latinx. But these racial groups are 13% and 19% of the U.S. labor force, respectively. By contrast, White workers constitute 39% and Asian workers occupy 46% of the professional jobs at these five companies (and they are 59% and 7.6% of the U.S. labor force)⁴.

**Professional Employees Racial Breakdown at Five Tech Companies
as of 2022**

Company	Percent of Black workers	Percent of Latinx workers	Percent of White workers	Percent of Asian workers
Alphabet (Google)	4.5	6.8	38.2	46.9
Amazon	5.7	6.1	39.1	45.7
Apple	3.0	6.5	39.9	47.7
Meta (Facebook)	4.4	6.4	34.8	50.1
Microsoft	7.0	7.7	42.9	39.2
Five-company average (unweighted)	4.9	6.7	39.0	45.9

Source: 2022 EEO-1 reports. For Meta, the 2021 report was used.

The underrepresentation is even more dramatic for most minority women. Only 2% of all professional jobs at the five companies are held by Black women and another 2% by Latinas but they are 6.7% and 8.3% of the U.S. work force, respectively. White and Asian women hold, on average, 11% and 15.6% of the positions, respectively (and they are 27.6% and 3.6% of the U.S. labor force)⁵.

**Professional Women Racial Breakdown at Five Tech Companies
as of 2022**

Company	Percent of Black women workers	Percent of Latina women workers	Percent of White women workers	Percent of Asian women workers
Alphabet (Google)	1.9	2.1	10.7	16.4
Amazon	2.7	2.3	12.4	15.1
Apple	1.2	2.2	10.3	14.5
Meta (Facebook)	2.1	2.3	10.7	17.7
Microsoft	2.7	2.3	12.4	14.4
Five-company average (unweighted)	2.1	2.2	11.3	15.6

Source: 2022 EEO-1 reports. For Meta, the 2021 report was used.

Host communities have a unique position to push for greater diversity

These professional tech jobs are jobs that economic development agencies most often seek to attract. Well-paid workers spend more money in their communities, stimulating job growth in other industries and generating tax revenue that governments can then use to finance critical public services. Depending on how many of the newly arriving job takers reside in the same city as the facility, a local government can enjoy increases in sales tax revenue, property tax revenue from rising home values (and in a few states, some local income tax gains).

The spillover benefits from these jobs are assumed to be so great that states and localities are willing to give up much or all of the new tax revenue that the tech companies themselves would otherwise pay.⁶ Indeed, on the corporate tax side, public costs may exceed benefits. New facilities routinely get property tax abatements of 10 years or more, sales tax exemptions on building materials and equipment, and state income tax credits for investing and/or hiring.

For example, in 2021, in exchange for an R&D hub in the Research Triangle Park, North Carolina provided Apple with an \$845 million grant tied to workers' withholding taxes. Wake County added an additional \$15 million in property tax rebates.⁷ In another example, Nashville and Davidson County, Tenn. provided Amazon with \$17.5 million in direct grants for a small part of the company's HQ2 expansion in 2018. The state added another \$65 million in grants and 21 million in tax credits.⁸

To ensure subsidized facilities do not widen inequalities, local governments should attach equity standards to the deals. Building in long-term commitments will also ensure companies will not back out of diversity and inclusion promises when competing priorities arise, as they have since the George Floyd reckoning.⁹

Here are some ideas communities can implement when developing economic development agreements with companies:

Local and targeted hiring:

- Localities should strongly encourage companies to hire locally. "First-source hiring" commitments, which would require a company to consider first a targeted local pool of candidates for openings, can improve the share of jobs going to incumbent residents.
- If any federal pass-through monies are included in the incentive package, localities may be able to explicitly give preference to applicants with workforce plans aimed at hiring more women, people of color, veterans, and historically disadvantaged workers (see "new opportunity" passage below).

- Company hiring should reflect the racial composition of the regional workforce. Localities should require a company to submit with a subsidy application a detailed plan on how its hiring will reflect the diversity of the host locality.¹⁰

Apple in Texas

Apple has a massive office hub in Austin, Texas. In exchange for creating over 3,600 jobs, the company was approved by the city for a 100 % property tax abatement totaling about \$8.6 million over 10 years. The city asked the company to make “commercially reasonable efforts” to work with various local organizations to diversify the pool of candidates for jobs at the hub.¹¹ While this is more what most cities would require a company to do, Austin could have ensured adequate representation of workers from a local community by setting first source hiring goals with Apple and by requiring the company (and other major employers) to disclose statistics on racial composition of its workforce at the facility.

The main difference between a “good faith effort” or “reasonable efforts” and a requirement in subsidy contracts is that a requirement bears consequences, such as subsidy recission or clawbacks, if a company does not deliver on its obligations.

1.03 Recruitment.

(a) In addition to its own efforts, APPLE shall make commercially reasonable efforts to work with non-profit organizations such as the Austin Asian American Chamber of Commerce, the Austin Gay and Lesbian Chamber of Commerce, the Capital City African American Chamber of Commerce, the Greater Austin Hispanic Chamber of Commerce, the Texas Asian Chamber of Commerce, the Austin/Travis County Reentry Roundtable, Minorities for Equality in Employment Education Liberty, the Texas Department of Assistive and Rehabilitative Services (DARS), the National Society of Black Engineers, the Society of Hispanic Professional Engineers, and/or other appropriate organizations to expand its pool of diverse candidates in hiring recruitment efforts for jobs at the Americas Operations Center. APPLE shall provide documentation of its efforts if requested to do so by the City. For purposes of this paragraph (a), “commercially reasonable efforts” may be satisfied by advertising for job openings in any job listings sponsored by the specified organizations.

A passage of the 2012 Chapter 380 Economic Development Agreement between Austin, Tex., and Apple.

Partnerships:

- Localities should require companies to create long-term meaningful internship and sponsorship programs for high school students from disinvested communities, helping them gain experience in the tech industry and create networking opportunities.

- Companies should create apprenticeship programs for students from local community colleges and historically Black colleges and universities (HBCUs) with a real pathway to employment.
- As always, subsidy agreements should include strong wage and benefit standards for all subsidized jobs so that workers in those apprenticeship positions are paid like permanent workers when they perform the same job.

Protecting public education:

Often, tech companies claim that there are not enough Black and Latinx students graduating from colleges with a relevant degree to meet diversity goals. Critics contend that there are enough minority students available for hire, and that other factors, such as recruitment bias and unwelcoming internal cultures, discourage those students from pursuing big tech jobs.¹²

- To ensure a growing supply of STEM-educated workers, especially from traditionally underrepresented groups, localities should stop abating school-bound taxes. Companies must finally recognize that they too have a long-term interest in adequate and equitable public education funding and be made to pay their fair share to support these public investments in the future tech workforce.

Google in South Carolina

In Berkley County, South Carolina, Google has operated a massive data center complex since 2007. The company has been benefiting from property tax abatements, though their terms and value to the company have never been disclosed to the public.¹³ While we do not know how much Google is getting, we do know that in FY 2023 Berkley County public school district lost \$88 million in revenue to economic development tax abatements. Over the last five years, abatements have cost the district \$300 million.¹⁴ In Berkley County, 45% of public-school students identify as a racial minority (27% as African American/Black, 17% as Latinx, and 1% as Asian).¹⁵

Transparency:

Lastly, localities should practice full transparency of subsidy deals.

- Besides making it easy for the public to see which companies get public money and for what, localities should also post online how many jobs at subsidized companies go to existing residents and what is the racial composition of the hired workforce. Camden, N.J., for example, requires companies located in the city to report twice a year how many jobs at those companies have gone to city residents; the reports are posted online.¹⁶

A new opportunity: changes to the federal grant guidelines

The federal Office of Management and Budget recently made changes to the Uniform Grants Guidance. Those guidelines provide directions to state and local governments on how they can use federal funding. The updated guidelines now give state and local governments flexibility in attaching pro-equity standards to federally funded procurement and development projects in their communities. For example, state and local governments can now attach local hiring preferences, or other policies that advance equity and inclusion, when federal dollars support a development project.

Conclusion

By conditioning financial support on local and equitable hiring, localities can make sure that the growth big tech companies bring is more broadly shared among their residents. These requirements should include meaningful partnerships with high schools, community colleges, and historically Black colleges and universities. Localities should practice full subsidy transparency, including disclosing data on the racial composition of those hired in subsidized jobs. Finally, local school taxes should be shielded from abatements to ensure a future pipeline of skilled labor that reflects the United States' diversity.

Endnotes

¹ Bureau of Labor Statistic reports that in 2022 the median wage for computer and information technology jobs was over \$100,000: <https://www.bls.gov/ooh/computer-and-information-technology/home.htm>; Dice.com reports the average salary for tech professionals in 2023 was little over \$110,000: The Dice Tech Salary Report, 2024 Edition: <https://www.dice.com/technologists/ebooks/tech-salary-report/>

² The lack of racial (and gender) diversity among tech workers is a chronic issue. For example, in 2016, the U.S. Equal Employment Opportunity Commission released a report finding, for example, that Asian Americans made up 50 % of professional jobs while white workers occupied 41 %. See: U.S. Equal Employment Opportunity Commission. 2016. "Diversity in High Tech." <https://www.eeoc.gov/special-report/diversity-high-tech>

³ The author's calculation of companies' data in Employer Information Reports (EEO-1 reports) submitted to the U.S. Equal Employment Opportunity Commission:

Alphabet's (Google) 2022 report is available at: [https://static.googleusercontent.com/media/about.google/en//belonging/diversity-annual-report/2023/static/pdfs/google 2022 consolidated eeo report.pdf](https://static.googleusercontent.com/media/about.google/en//belonging/diversity-annual-report/2023/static/pdfs/google%202022%20consolidated%20eeo%20report.pdf);

Amazon.com's 2022 report available at <https://www.aboutamazon.com/news/workplace/our-workforce-data>; Apple 2022 report is available at <https://www.apple.com/diversity/pdf/2022-Consolidated-EEO-1-Certified.pdf>;

Meta's (Facebook) 2021 report is available at <https://about.fb.com/wp-content/uploads/2022/07/2021-Equal-Employment-Opportunity-Report.pdf>; 2022 report was not posted online as of 4-18-2024;

Microsoft's 2022 report is at <https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RW1hym2>

We chose these five well-known companies because they create new technologies that have a significant impact on our society. They also employ a significant number of professional workers: in 2022, almost 425,000 professional workers were working at those five companies.

⁴ The data on the U.S. work force in this paragraph is from: Economic Policy Institute analysis of the 2023 Current Population Survey Basic Monthly microdata, EPI CPS extracts, Version 1.0.52 (2024), <https://microdata.epi.org>.

⁵ Ibid.

⁶ Bartik, Timothy and Nathan Sotherland. 2019. "Local Job Multipliers in the United States: Variation with Local Characteristics and with High-Tech Shocks." Upjohn Institute Working Paper 19-301. <https://doi.org/10.17848/wp19-301>

⁷ Subsidy Tracker database megadeal entry for Apple in North Carolina in 2021. Good Jobs First. <https://subsidytracker.goodjobsfirst.org/subsidy-tracker/nc-apple-0>

⁸ Subsidy Tracker database megadeal entry for Amazon in Tennessee in 2018. Good Jobs First. <https://subsidytracker.goodjobsfirst.org/subsidy-tracker/tn-amazon>

⁹ In the aftermath of George Floyd’s murder, many tech companies pledged commitments to diversify their staffs, creating or expanding diversity, equity, and inclusion offices. However, by 2023 many tech firms had cut their DEI budgets, some by 90%, often shifting financial resources to AI. See: Elias, Jeniffer. December 22, 2023. “Tech companies like Google and Meta made cuts to DEI programs in 2023 after big promises in prior years.” CNBC.com. <https://www.cnbc.com/2023/12/22/google-meta-other-tech-giants-cut-dei-programs-in-2023.html>

¹⁰ Some Republican state Attorneys General argue that the U.S. Supreme Court decision in re: *Students for Fair Admissions, Inc. v. Harvard College* and *Students for Fair Admissions, Inc. v. University of North Carolina*, makes affirmative action in hiring discriminatory. See a letter from 13 of them to Fortune 100 CEOs, July 14, 2023: <https://s.wsj.net/public/resources/documents/AGLetterFortune100713.pdf>

Other state Attorneys General hold differently. For example, Colorado’s Attorney General argues that the Supreme Court decision does not apply to workplace hiring, only college admissions. See Phil Weiser, October 4, 2023: “Diversity, equity and inclusion efforts remain legal under federal law.” <https://coag.gov/press-releases/legal-opinion-dei-efforts-legal-under-federal-law-10-4-23/>

¹¹ City of Austin Chapter 380 Economic Developmental Agreement with Apple, Inc. Signed on March 22, 2021; available on the Austin Open data Portal at [https://www.austintexas.gov/sites/default/files/files/Redevelopment/CH_380_Agreements/Apple Eco Dev Agreement.PDF](https://www.austintexas.gov/sites/default/files/files/Redevelopment/CH_380_Agreements/Apple_Eco_Dev_Agreement.PDF)

¹² Bui, Quoc Trung and Claire Cain Miller. February 25, 2016. “Why Tech Degrees Are Not Putting More Blacks and Hispanics into Tech Jobs.” *The New York Times*.

<https://www.nytimes.com/2016/02/26/upshot/dont-blame-recruiting-pipeline-for-lack-of-diversity-in-tech.html>

¹³ Wren, David. August 20, 2023. “SC county offers big tax breaks, maybe a water deal, in courting a mystery business.” *Post & Courier*. https://www.postandcourier.com/business/sc-county-offers-big-tax-breaks-maybe-a-water-deal-in-courting-a-mystery-business/article_2beea670-3b80-11ee-8b9b-bb3c09bbeadd.html

Wren, David. September 6, 2023. “Meeting notice vanishes about mystery firm seeking Dorchester County tax breaks.” *Post & Courier*. https://www.postandcourier.com/business/meeting-notice-vanishes-about-mystery-firm-seeking-dorchester-county-tax-breaks/article_9359c706-4c13-11ee-8c5b-5b622fc12b75.html

¹⁴ Berkeley County, S.C., School District Annual Audit Reports from 2019 to 2023; all available at <https://www.bcsdschools.net/documents/departments/finance/audit-reports/473173>

¹⁵ SC School Report Cards. District of Berkeley County School District Narrative for 2022-2023. <https://screportcards.com/overview/?q=eT0yMDIzjnQ9RCZzaWQ9MDgwMTAwMA>

¹⁶ Camden, NJ posts employment reports online at: <https://www.ci.camden.nj.us/semi-annual-employee-residency-report/>