



Equity-Driven Expansion: A Unique Model for Economic Development



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Louise Anderson: *Welcome to the Federal Reserve's Economic Development podcast series. I'm Louise Anderson with the International Economic Development Council. In addition to goals of economic vitality and job creation, state and local economic development policies can be designed to facilitate employment opportunities for low-income and minority populations. Victor Rubin and Sarah Treuhft at PolicyLink proposed this idea that infuses economic inclusion into large-scale economic development strategies as part of the "Big Ideas for Job Creation" project.*

The project was sponsored by the Institute for Research on Labor and Employment at the University of California at Berkeley, and supported by the Annie E. Casey Foundation. It was a call to academics and economic development practitioners to design jobs programs for cities and states that would lead to net new job creation in one to three years. Rubin and Treuhft's idea, "Economic Inclusion: Advancing an Equity-Driven Growth Model," is one of several winning ideas from the project's second round that we are featuring in this podcast series. Today I'm speaking with Victor and Sarah at PolicyLink. Thanks to both of you for being here today.



Victor Rubin: Glad to be here.

Sarah Treuhft: Glad to be here as well.

Anderson: *Sarah, could you tell us more about your big idea on encouraging economic development policies and programs that prioritize economic inclusion and what issues you address with it? Also, how does this idea of economic inclusion truly facilitate or affect job creation?*

Treuhft: Economic inclusion is about ensuring that everyone is able to participate in the economy and that your race or your zip code is not a barrier to your participation. Economic inclusion isn't a new idea in economic development, but it is an idea whose time has come. I think this is because of two major trends.



First, our country is going through a major demographic shift. Already the majority of babies born today are people of color, and within just a couple of decades the majority of workers will be of color, too. Many of the groups that are contributing to this population growth—Latinos, African-Americans, some Asian subgroups—are concentrated at the bottom of the economic ladder. They lack educational opportunities, they face high rates of joblessness, and they are concentrated in low-wage sectors where they have few opportunities to move up. As these groups are growing as the share of our population, these gaps become a risk not only for them but also to our economy as a whole. For example, by 2018, just a few years away, 45 percent of jobs will require an associate's degree or above, but only 27 percent of African-Americans, 26 percent of U.S.-born Latinos, and 14 percent of Latino immigrants have this level of education. We can't have a competitive workforce unless we increase the education levels among these groups. So these demographic shifts are making economic inclusion more important.

Some inclusion strategies directly create jobs and others are likely to create jobs indirectly. Minority entrepreneurship is an example of an inclusion strategy that is also a job creation strategy. The data tells us that minority-owned firms are more likely to hire people of color and locate in and hire from communities of color. So helping them grow clearly fosters inclusion. Other strategies are more about opening up job opportunities to groups who are previously excluded. But there are ways in which these inclusion strategies also lead to job creation. For example, if you're thinking about getting the most out of your public investments, you can target those investments to vulnerable communities to foster inclusion, but you can also choose the investments that will create the most jobs. Ultimately, greater inclusion leads to stronger economic growth, which corresponds with job creation. Looking back at the last half century we know now that about a fifth of our economic growth was due to women and people of color entering professional occupations from which they've previously been excluded.

Anderson: *My next question has three parts to it. What trends are you seeing around job creation for low-income and minority populations, and what do those trends suggest about the importance of this type of approach in relation to the local workforce development ecosystem? And finally, how does your proposal for economic inclusion fill a unique niche in helping to expand the pipeline of qualified job candidates and foster job growth?*

Treuhft: We see four strategies as having great potential for economic inclusion. The first is around growing what we call high-opportunity sectors and clusters in the economy, and by high opportunity we mean sectors that both drive economic growth within a region and can provide economic opportunities for vulnerable residents. By targeting those sectors really carefully and being thoughtful about how you're allocating your economic development and workforce development dollars, you can help the sectors and clusters that provide jobs that are good jobs for vulnerable workers and help them grow. So we mean jobs that are paying above-average wages, providing benefits, and providing opportunities to move up.

A second strategy is leveraging the economic power of anchor institutions like universities and hospitals. These institutions are often the largest employers in regions and they spend millions of dollars every year on goods and services.

A third strategy is focused around starting and expanding local and minority-owned businesses. We know through research that these firms are more likely to hire people of color, and they're more likely to locate in communities of color, and by so doing hire more people of color.

And a fourth is around maximizing our public investments. States and cities invest millions of dollars in public infrastructure. Through targeted hiring provisions and community workforce agreements, these public investments can result in good jobs going to residents with barriers of employment. And also through thoughtful contracting policies they can help local and minority-owned businesses grow.

Anderson: *Victor, what are some of the potential barriers to implementing this kind of approach at the local level, and how might they be overcome? And also, what conditions are most likely to determine whether a program or policy designed for economic inclusion will be successful?*

Rubin: The kinds of strategies we're talking about require a fair amount of coordination and agreement between a pretty diverse set of stakeholders both inside government and outside of government. It may take the job training system to be more coordinated with the economic development office or the city and regional planning authorities, and with the chamber of commerce. And they might not all have had inclusion as a high priority before, but the examples we're finding are those cases where people are willing to invest that time and build that coordination.

And there's another aspect of this, which we've come to see takes a little time to develop. A lot of the anchor institutions, the big hospitals and universities, and other entities and the big companies whom are being encouraged to buy locally and create jobs locally, they're under a lot of pressure to cut their immediate costs, sort of maximize their short-term gains. And some of these strategies take longer to develop. So it does require a commitment to the community and a commitment to the long term.

Anderson: *In your brief, you describe real-world applications of this idea in several state and local examples. Can you describe one of those programs and the related results? And what are the conditions required for success of this type of program?*

Rubin: One example that we've come across that hits on several of the themes in the paper is the BioTechnical Institute [BTI] of Maryland that prepares people for laboratory technician positions in a range of biotechnical and hospital clinical laboratory situations. The lab associate's program at BTI is a tuition-free training program in basic laboratory skills. It's for bright, ambitious unemployed and underemployed Baltimore city residents.

Most of the clients are African-American and most of them have the aptitude and the drive and the interest, but weren't able to go to college in the traditional sense. And this gives them an opportunity to learn some particular skills and be placed in an industry that is known not only for good pay but for career pathways. And we're seeing over time that a lot of these folks are eventually going back to college.

The employers love it also because once these folks are hired and they've been very well trained, they tend to stay a long time and grow with the firm, because their other alternative for lab techs are often college grads who are just filling out a year or two until they go to grad school or medical school. The folks coming through BTI, and there have been more than 265 graduates through last year, have been placed with more than 35 employers all over the area.

Another thing we like about the program is that it has concurring enrollment. People are learning their math and their science skills, but they are getting in through internships, they're getting direct exposure to the work.

A program like the BioTechnical Institute needs several key things to be successful. The program needs support from employers and it needs a clear pathway from the public sector, as well as the monetary support, so that if they're trying new and innovative things they don't get too hung up in the rules and regulations of how things have to be done or used to be done in order to get public money. And giving them a fair amount of flexibility in return for accountability for results is generally what's most important.

Anderson: *What types of success metrics should a state or locality use when designing this kind of program?*

Rubin: The most basic thing is getting people hired—having them be sufficiently skilled and ready for work that they do get hired as a result in the fields that you were aiming for, at the decent wages that were intended. But for any job training program that's usually not enough. Retention in the job is very important. But even beyond retention, it's important in this case to measure advancement, to measure career pathways. So, ideally, the strategies we're talking about are not only emergency or temporary jobs, they are creating career pathways, and I think it is very important to measure those pathways.

The second general type of metric is measuring the reach into the community. Who's been successfully placed? Are the target populations being reached by race, education levels, age, gender, what neighborhood people come from?

Anderson: *Your brief provides suggestions for how policymakers can support these efforts, but how can local economic developers and business leaders also encourage these programs?*

Rubin: Most of the programs that we have looked at and describe in the paper are not only government programs, and in some cases it might be a nonprofit that has got a government grant, but they have also been supported by employers in the area. BTI, the BioTechnical Institute, is a good example. They are able to provide tuition free not just because of government decisions, but also because of some very effective fund-raising with both the foundations and with the employers who know it is in their interest to have this diverse and highly qualified workforce.

Beyond that, though, a lot of the drivers of the strategies in our report are anchor institutions, such as hospitals and universities. So as they are encouraged to spend locally, to develop procurement programs that will put more money back into the local community and support local businesses, as they have more effective local hiring and training programs, and as they even help employees live in the city where they work—all of that kind of activity goes on outside of government public policy. It is business realizing the logic of the business case for equity.

Treuhافت: I would say also, in terms of our strategy to grow high-opportunity sectors and clusters in the industry sectors and clusters, that's really coming from regional economic development groups who are analyzing the economy and understanding where growth is, what types of sectors and clusters are growing, and it is expanding that work to think about how do you grow an inclusive economy. So I think it really does start with those groups and brings in policymakers, nonprofits, and other groups afterwards.

Anderson: *Thank you for such an interesting conversation today. This concludes our podcast. We've been speaking with Victor Rubin and Sarah Treuhافت at PolicyLink.*

Mark your calendars for IEDC's Federal Economic Development Forum in Washington, D.C., on March 23–25, 2014. This conference will focus on tools and resources that economic development professionals can use in engaging federal policymakers.

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