Message from the Community Affairs Officer - Cascade: No. 98, Spring 2018

By Theresa Y. Singleton, Ph.D., Senior Vice President and Community Affairs Officer

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Message from the Community Affairs Officer

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In this issue of *Cascade,* I am pleased to introduce our new director of the Economic Growth & Mobility Project, Ashley Putnam. The Economic Growth & Mobility Project (EGMP) is a multilevel effort to bring entrepreneurial solutions to achieve inclusive economic growth and create pathways out of poverty in communities across the Third District and our nation. A central component of the initiative will be in creating Research in Action Labs that promote research-informed practice, focusing specifically on community and individual solutions in the areas of job creation, job access, and community infrastructure.

Two of those focus areas are featured in this issue. On the topic of job access, one article explores the emerging trend of skills-based hiring and presents research around this potential solution to the growing skills mismatch impacting employers, job seekers, and the economy as a whole. In regards to job creation, another article summarizes a panel discussion at a recent Philadelphia Fed research symposium on the topic of inclusive economic growth strategies.

In addition to the EGMP, the Philadelphia Fed recently launched the Consumer Finance Institute (CFI), which produces leading research on how credit markets and payment systems affect the economy. It also seeks to foster healthy household finances, a stable financial system, and a resilient economy. An infographic in this issue illustrates trends regarding debt in America. This infographic was made possible by the Consumer Credit Explorer (CCE), an interactive tool publically available on our data dashboard that allows users to examine trends in consumer credit use at the regional, state, and national levels.

With our two focuses on the EGMP and the CFI, the Federal Reserve Bank of Philadelphia makes clear that household financial stability is integral to regional economic vitality. Poverty — the lack of income to meet basic human needs — not only inhibits individual households from reaching their full potential, it also hinders regional economic growth. In order to strengthen our nation's economy in ways that enable economic mobility and prosperity, we must invest in opportunity. The Philadelphia Fed's flagship community development conference, Reinventing Our Communities, will be held October 1–3 in Baltimore on the theme of Investing in Opportunity. We hope you will join us, along with our partners from across the Federal Reserve System and the Johns Hopkins 21st Century Cities Initiative, for a national conversation on these urgent issues. I look forward to seeing many of you at the conference and to working together in 2018 and beyond.

Introducing Ashley Putnam, Director of the Economic Growth & Mobility Project - Cascade: No. 98, Spring 2018

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Introducing Ashley Putnam, Director of the Economic Growth & Mobility Project

Cascade sat down with Ashley Putnam, the new Director of the Federal Reserve Bank of Philadelphia's Economic Growth & Mobility Project (EGMP). The interview below provides insights into Ashley's background and plans for the future of the EGMP.

Ashley, can you tell our readers a bit about yourself and your background?

I come to the Federal Reserve Bank of Philadelphia from the New York Mayor's Office of Workforce Development. My role there was to oversee the connection between economic development and the workforce. I facilitated conversations with industry experts, oversaw our local hiring policies, and worked on place-based approaches to workforce development in conjunction with economically changing neighborhoods. My role was focused on addressing economic development through the lens of inclusivity and bringing best practices to bear on the ways we help connect people to quality employment with the opportunity for advancement.

You joined the Federal Reserve Bank of Philadelphia to lead the EGMP. Can you tell us what this initiative is and why it is important?

The EGMP is unique in the Federal Reserve System for its focus on bringing research into practice. I believe the System and the Bank are particularly well-positioned to discuss the economic imperative of investing in economic mobility. Research shows that sustainable economic growth is inclusive growth and that addressing economic mobility is essential to growing our local and regional economies.

Ashley Putnam, Director of the Economic Growth & Mobility Project (EGMP)

I also appreciate that the EGMP focuses on Research in Action through community-driven solutions. My work in local government made me a big believer in local solutions to local problems. The collaborations being built through this Research in Action model can serve as examples for other regions.

How did you become interested/involved in these issues?

I have always been interested in the intersection of research and practice. I spent my first several years in the workforce development field providing direct services to job seekers living below the poverty line. The experience showed me firsthand how economic shifts after the recession had impacted workers. Motivated by that interest in policy, I founded a fellowship program, the Work First Fellowship, which brought young people into a year of service to work with low-income job seekers and conduct research on the barriers facing these communities. While getting my master's in public policy, I also spent time at U.S. Department of Housing and Urban Development (HUD) in the research utilization division. I have always been interested in how research informs the often complicated realities of putting policy into practice. These experiences led me to my work in the mayor's office and my long-term interest in providing economic stability to families that are struggling.

How can lessons learned from other communities be helpful here in the Third District?

The Research in Action Labs provide a model we hope to lift up and help other communities take on as they address barriers to economic mobility. The real takeaway from these labs is the process, because each community's solutions will likely be different. As you can imagine, the strategy for addressing equitable transit in a large urban area versus a postindustrial town will be very different. I think the lesson from these labs thus far is that overcoming long-term barriers to economic mobility requires collaboration across sectors. The biggest success of these labs is getting everyone at the table to learn from one another, build trust, and find ways to come together around a shared understanding of problems facing the community. The research informs this process at every step of the way, from defining the problem to leveraging best practices and evaluating potential solutions. In many ways, the Research in Action Labs are a model for forming community partnerships and applying data to resolve issues around local economic equitability.

What partners will be needed for the EGMP to achieve success?

Each Research in Action Lab will need a set of core, committed partners who care about economic mobility and are ready to work together to understand and address the problem with research-informed solutions. It is important to have people represented from all sectors: private, public, nonprofit, and philanthropic. The key components of a Research in Action Lab are a committed backbone organization, a council that brings together local stakeholders, a shared understanding and definition of what is happening in the community, and a vision for what the partnership would like to achieve. Partnerships take work, time, and often commitments of resources, not to mention a willingness to consider a different perspective on a current problem. For and the EGMP labs to be successful, we need partners who are willing to invest their resources into trying something different.

What can we expect to see from the EGMP in the coming years? What issues will the Federal Reserve Bank of Philadelphia focus on?

This year we are beginning to set in motion some of the ideas generated as part of the Northeast Pennsylvania Equitable Transit Planning Council. We will also be diving into our next Research in Action Lab on workforce development in Philadelphia. The next lab after Philadelphia will look at equitable growth, and we do not yet have a community selected. The EGMP will continue to focus on building inclusive solutions as we look to expand the Research in Action Lab model to other communities in the Third District that represent the diversity of challenges faced by rural, postindustrial, and small and large urban areas. Our focus continues to be on economic mobility and tearing down barriers while we build ladders to opportunity.

Addressing Bias and Equity in Hiring - Cascade: No. 98, Spring 2018

By Ashley Putnam, Director of the Economic Growth & Mobility Project

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Addressing Bias and Equity in Hiring

While unemployment is decreasing and the economy is improving, not all people are benefiting equally from economic growth, a problem something multiple fields are trying to address. In workforce development, most proposed solutions focus on supply-side interventions. Indeed, surveys of businesses demonstrate that many employers are facing a skills gap when looking for qualified talent.[1] Even with increased digital skills, improved training programs, and more employer engagement in developing a curriculum, however, a major barrier to job seekers still remains the same: will they be hired?

Upcredentialing refers to employers' tendencies to seek a higher level of credential, including a college degree, for positions that traditionally have not required that credential.[2] This trend affects job seekers, employers, and economy as a whole. To successfully address the changes in our economy and the needs of employers, we must also examine the shift in degree requirements and hiring practices.

Shifting Preferences for Workers

Researchers have conducted several studies pointing to the trend of upcredentialing.[3] A study in 2014 using real-time labor market data through online job postings discovered a significant gap between the current workforce and the requirements posted on job advertisements. For example, 65 percent of job postings for executive assistants required a college degree in 2014, but only 19 percent of employees in that role currently had that degree.[4]

The most notable finding of this research was the impact on middle-skills jobs — jobs Federal Reserve System research has noted are opportunity occupations: providing a living wage and accessibility without a four-year degree.[5] These job openings like IT support specialists, construction supervisors, and accounting clerks all showed significant gaps between the current workforce and the new skills required to obtain the job. A 2017 study conducted in partnership with Harvard Business School and Accenture took a deeper look at this trend, analyzing over 26 million job postings and surveying nearly 600 employers. The report, "Dismissed by Degrees," focused specifically on the problem with the shifting landscape of qualifications for jobs they defined as degree inflation as part of upcredentialing, or "rising requirements for the four-year college degree."[6]

Moving beyond industry credentials that are common in fields like health care or new certificate requirements that are often a response to changing technologies, this report specifically examines the need for and prevalence of four-year degrees in traditionally middle-skills jobs. In the analysis of job postings and interviews, researchers found that more than 50 percent of jobs that were traditionally considered middle-skills opportunities now require a degree. Only 34 percent of Americans ages 24–29 have a four-year degree, but researchers found that 14 percent of all job advertisements — nearly 10 million jobs — ask for education beyond what the job title would imply.[7]

Why Is This Happening?

During the recession and in the recovery shortly thereafter, workers with higher education were more willing to consider an opportunity for which they may have traditionally been considered overqualified. While the labor market dipped from 2007 to 2010, the percentage of job openings requiring a college degree increased by more than 10 points.[8] Other research suggests that while middle-wage jobs were a majority of jobs lost during the recession, nearly three-fifths of jobs recovered have been in low-wage, low-skilled work.[9] Therefore, educated workers may have been more willing to consider a middle-skills jobs, given the shortage of opportunities.

The trend of degree inflation may also be impacted by other economic trends. Changing technologies in the workplace require that workers have more advanced digital skills and science, technology, engineering, and mathematics (STEM) education. Research reports that nearly eight out of 10 middle-skills jobs now require digital skills.[10] Even with the shifting nature of technology and the recovery from the recession, many of these technical skills can be learned outside a classroom or four-year degree program.

Beyond hard skills, the bachelor's degree has also become a stand-in for soft skills. One employer interviewed cited the college degree as indicative of "office readiness" of job seekers to put themselves through four years of college. Likewise, a sales manager reported that "for many companies, a bachelor's degree signals that the person has put themselves through four years of college, so they have certain life experiences, commitment levels, and organization levels."[11]

This "signaling" effect of college degrees, where employees signal their respective skills to employers, has been observed in the job market by economists like Michael Spence, who argues that even if education does not contribute to an employee's productivity, it can hold value in the job market for an employer.[12] Susanna Williams of BridgEd strategies observes that "employers use degrees as a signal for class and, to some degree, emotional stability and maturity."[13] In the absence of other "signaling" tools to demonstrate workplace competencies, employers use the college degree as an easy proxy for qualities like strategic thinking, self-direction, and working well with groups.[14]

Cost to Companies

As demonstrated in Spence's research, the degree does not necessarily indicate an employee's productivity. Research on predicting job performance based on education is inconclusive. Just as degrees are different in focus and technical skills mastery, the productivity of workers varies greatly. Thus, the "proxy" indicated by employers and this economic trend may be an easy means of filtering out candidates, but it does not necessarily result in return on investment. In fact, recent studies have indicated it may actually cost companies more.

The first cost companies incur is an increased time to hire for middle-skills positions now requiring a college degree. In the case of IT computer user support specialists (help desk positions), the average number of days to fill the position increased 40 percent when adding the college degree requirement.[15] For front-line construction supervisors, the time to hire increased 117 percent from under thirty days to nearly two months for each position. The increased time to hire is expensive for both businesses and the regional economy. HR managers have reported that unfilled job openings can cost companies up to $800,000 a year.[16] On a larger scale, the Centre for Economic Research estimates that unfilled jobs cost the U.S. economy more than $13 billion a month, or roughly $160 billion a year.[17]

Degree inflation results in additional indirect costs to companies from employee turnover. Although college graduates may be willing for a time to take a middle-skills position such as an administrative assistant, they are less likely to stay in that position. Researchers note that for middle-skills job, college graduates "demonstrated higher turnover rates and lower engagement levels" over periods of time.[18] The Society for Human Resource Management estimates that employee turnover can cost 25–200 percent of that employee's salary, depending on time to rehire and retrain.[19]

Furthermore, employers are paying direct costs for college graduates who traditionally demand a higher salary for middle-skills positions. Harvard Business School reports that employers pay 11–30 percent more for college graduates, and yet "report that nongraduates with experience perform nearly or equally well on critical dimensions like time to reach full productivity, time to promotion, level of productivity, or amount of oversight required."[20] By adding a degree requirement to a middle-skills occupation, employers are taking on direct costs with no demonstrable gain in productivity, while also paying indirect costs for time to hire and employee turnover.

Costs to Job Seekers

In spite of the push for college education over the past several decades, as of 2011, only 59 percent of high school graduates actually enroll in college. Out of those 59 percent, 44 percent never complete their degree.[21] This trend is even more pronounced in areas like Philadelphia, where only 27 percent of the population has a college degree, resulting in nearly 800,000 residents over the age of 25 being screened out of these historically middle-skills jobs.[22]

The National Student Clearinghouse Research Center reports that "more than 31 million Americans have enrolled in college left without a degree" during the past two decades, yet the four-year degree remains the main point of entry for living wage employment in the U.S.[23] While some policymakers appropriately focus on getting more young people into college, understanding this trend requires a deeper understanding of why young people aren't completing their degrees.

A report surveying students who drop out of college indicated 71 percent leave school to keep their jobs.[24] The second-most frequent reason for leaving college: "I just couldn't afford the tuition and fees." Indeed, the college degree continues to be an extremely expensive barrier to opportunity. For both public and private institutions, the cost to attend college has increased in the past three decades. With prices adjusted for inflation, private, four-year institutions increased tuition 129 percent between 1987 and 2017, with tuition and fees averaging $34,740 a year.[25] Although they remain more affordable, public four-year institutions' tuition and fees have nearly tripled in the past thirty years. The cost of room and board only increases the price families must be willing to pay to send a child to college.

The cost of college tuition is not equally attainable for all families. In 2012, 75 percent of families would have had to pay an amount equivalent to nearly a quarter or more of their annual income to cover the average net price of tuition for one student.[26] While *Inside Higher Ed* reports that the increase of tuition and fees has slowed to 2 percent this past year, the amount of financial aid offered has not kept pace with tuition increases.[27] Paying off college can be a multidecade commitment, with nearly 6.8 million Americans between 40 and 49 still paying off student loans.[28] For low-income students, this means attending four-year institutions requires incurring debt that may hamper economic mobility in the long run.

Jaison Abel and Richard Deitz report that the cost of college is not only the cost of tuition or direct cost, but also the opportunity cost of not working during the four-year period of a bachelor's degree. The researchers estimate that "pursing a bachelors' degree would forgo almost $96,000 in wages — nearly four times more than net tuition costs."[29] For low-income families, that opportunity cost is a major deterrent when income is needed immediately in the household.

This increasing need for a college degree in middle-skills jobs perpetuates a cycle of inequality in that "most Americans need a high-paying job in order to afford the four years of college, and yet they need a college degree to be able to get a high-paying job."[30] Low-income job seekers — particularly young people of color — are most affected by degree inflation and upcredentialing.[31]

The return on investment of a four-year degree is undeniable[32], but its costs can represent a barrier to entry for a middle-skills job that many cannot afford.

Innovations in the Field

A growing number of companies are recognizing that degree inflation keeps otherwise qualified candidates out of the talent pool. In surveys by Harvard Business School researchers, nearly two-thirds of the companies acknowledged that "stipulating a four-year degree excludes qualified candidates from consideration."[33] Indeed, in this tight labor market, companies are increasingly thinking about solutions to access qualified talent.

Fuller, Raman recommend that the first step to address the situation is to diagnose degree inflation in your own company. Which jobs now require a four-year degree that did not previously? Why was that shift made in the hiring requirement? The survey of employer preferences demonstrates that there may be other valuable aspects of potential candidates that can be considered as alternatives to a college degree, such as previous work experience.

Skills-based hiring has been a topic of discussion among academics, policymakers, and the workforce development field as a way to shift hiring practices to finding talent based on ability to perform. Addressing the degree inflation trend can open employers to diverse and qualified talent that has often been screened out. New technologies in online job applications amplify this problem by automatically excluding workers who do not meet education requirements. While employers may be open to hiring individuals who have work experience and comparable skills, these online applications screen out qualified talent. To reverse this trend, some companies are adopting an alternative framework: screening in.[34]

The concept of skills-based hiring is not new to the field of human resources or employers. Managers have used aptitude tests in a variety of fields, including the military screening for individuals in the armed services.[35] Managers give recruits tasks to complete that are similar to the tasks that will be performed on the job and evaluate competencies accordingly. Similar skills assessments are now being adopted by technology companies, including IBM, which shifted away from four-year degree requirements in favor of assessing technical skills.[36]

While jobs that require physical performance are easier to assess for skills, jobs in the knowledge economy can be much more complex. Some of the challenge arises when assessing *soft skills* such as critical thinking, adaptability, resiliency, or conflict management. Education and workforce organizations have shifted away from the term soft skills, since the language implies that they are easy or irrelevant, instead using phrases like *foundational skills* or *power skills*.[37]

As innovations have advanced in the field of skills-based hiring, more employers are using new technologies to quantify and signal the presence of these foundational skills, which have traditionally been considered difficult to measure. Online platforms like Core Score, ACT, SkillSmart, and others help employers assess for soft skills and screen in qualified candidates. Workforce professionals understand that to close diversity gaps, organizations need to develop and measure soft skills in a tangible way. Bridgette Gray from Per Scholas said, "Closing diversity gaps is about developing and measuring soft skills in a way that makes sense to employers."[38]

Understanding the economic imperative and the need to remain competitive, some anchor institutions are leading the way in this shift toward skill-based hiring. The City of Albuquerque, NM, made a commitment to assess entry-level positions using core competencies with ACT. Albuquerque is now using ACT's WorkKeys to assess candidates' strength, focusing particularly on young people who may not have a college degree or high school diploma.[39] In Boston, Tufts Medical Center held a hiring fair in September 2017 using Core Score assessments as an additional way to screen in qualified candidates.[40] The number of employers taking up this charge has grown in recent years from small businesses to large companies like Ernst & Young and Cisco.[41] When Penguin Random House leaders made the decision to drop degree requirements in job advertisements, they understood that they would be eliminating bias in the hiring process and thus be able to recruit and retain people "from different backgrounds with different perspectives to have a workforce that truly reflects today's society."[42]

Another step companies can take is identifying partners in local organizations, nonprofits, and community colleges that provide the training and screening for competencies necessary in the workplace. The Skillful State Playbook recommends assessing partners in the workforce ecosystem as a key first step in shifting to a skills-based labor market.[43] Rochester, NY–based manufacturing firm Optimax addressed labor shortages by partnering with local nonprofits and community colleges through the Finger Lakes Advance Manufacturing Enterprise (FAME).[44] Optimax HR manager Alejandro Mendoza said, "We aren't primarily concerned with credentials; we look for people from our partnerships who want to work with their hands, want to learn, and want to grow with the company." Through the TechHire initiative, Opportunity@Work encourages community partnerships to help meet the demands of the growing tech sector, while using a validation tool to assess coding skills of job seekers without college degrees.[45] Likewise, firms can reassess the important competencies necessary to be a successful employee and consider alternative partners and pathways for individuals without a college degree.

With a tight labor market and increasing shifts in middle-skills jobs, addressing degree inflation has become an economic imperative. Research demonstrates that businesses are the key to addressing this dilemma, and "employers should take the lead in addressing the skills gap, in part by reversing the degree inflation."[46] While increased investments in training and skills are necessary, employers have a role to play in closing the gap around middle-skills jobs. By screening in qualified candidates with other workplace competencies rather than screening out candidates, businesses can remain competitive and improve the overall economy of their region.

Philadelphia Fed Economics Research Conference Highlights the Case for Inclusive Economic Growth - Cascade: No. 98, Spring 2018

By Anahi Macauley, Senior Editorial Associate, Public Affairs

Explore This Section

Philadelphia Fed Economics Research Conference Highlights the Case for Inclusive Economic Growth

Leadership on inclusive economic growth must be deliberate to achieve the goal of bringing economic benefits to everyone. That was the key takeaway of the closing session at the Federal Reserve Bank of Philadelphia's recent Policy Forum.

Marking a departure from previous years, the 2017 edition of the flagship economic research conference explored ways to expand opportunity for all households and to revitalize cities. The Philadelphia Fed has recently deepened its research emphasis on equitable growth, launching the Economic Growth & Mobility Project, an initiative that explores evidence-based solutions to promote inclusive growth.

While the first two sessions of the conference featured presentations of new research, the final session focused on practice. Dennis Lower, president and chief executive officer of the Cortex Innovation Community, and Michael Nutter, former mayor of Philadelphia, drew from their own experiences to discuss strategies for renewing urban spaces and for increasing participation in the economy. Lower leads a thriving and diverse innovation and technology district in downtown St. Louis,[1] and Nutter, who left office in 2016, is now a professor at Columbia University and a senior fellow at Bloomberg Philanthropies' What Works Cities initiative[2], among other roles. Amy Liu, vice president and director of the Metropolitan Policy Program at the Brookings Institution[3], moderated the discussion.

In introductory remarks to the session, Drexel University President John Fry detailed the role anchor institutions, such as universities and hospitals, can play in economic inclusion. Drexel has worked for many years to narrow the stark economic divide between the area surrounding the campus and the larger, economically distressed community of West Philadelphia. The university has partnered with other organizations to recruit and train residents for jobs, help homeowners stay in and improve their homes, and open Science Leadership Academy Middle School in the neighborhood, among other initiatives.

Fry emphasized that promoting inclusion requires “a fundamental culture change.” Furthermore, he stressed the difficulty of this type of change. “It takes hard, intentional work for a long time,” he said.

Research Bolsters the Case for Inclusion

In her remarks, Liu made the research case for inclusion concluding that good economic development is “inherently inclusive,” because if the goal is sustainable growth, public leaders and institutions must work to maximize the number of people, firms, and neighborhoods participating in and benefiting from the economy.

Citing a recent Brookings analysis, she pointed to findings showing that metropolitan areas with higher upward mobility for low-income children tend to have faster per capita income growth. Conversely, areas with high poverty and social instability “exact costs to taxpayers and to economic stability.” At the same time, Liu said, growth is necessary for inclusion: When demand for labor is high, wages are more likely to rise, and poverty is more likely to decline. Moreover, research has found that areas with high levels of innovation and patenting also appear to have higher social mobility, especially for low-income individuals.[4]

Despite the body of evidence connecting economic growth and inclusion, Liu said, most cities address the two issues separately. “Growth actors,” such as employers and chambers of commerce, and “inclusion actors,” such as community and workforce development practitioners, operate in different spheres.[5] They rely on separate funding streams and use different metrics to gauge success.

Liu pointed out that the U.S. population is growing increasingly multiracial and multiethnic, and yet evidence shows that the digital economy does not always benefit communities of color. Indeed, data show minorities are overrepresented in low-wage, low-tech jobs and are underrepresented in high-tech, high-paying jobs. “How we navigate the changing environment absolutely matters,” Liu said. “We need to be intentional about how we prepare our communities for that future.”

The Need for Honesty About Automation and Jobs

Nutter also touched on how technology is changing the economic landscape but spoke about the benefits of the shared economy. He said new services like Airbnb, Uber, and Lyft allow citizens to generate income from their homes and cars. Nutter issued a note of caution regarding automation, though, saying that leaders should be honest about how many jobs will disappear. Although the common perception is that jobs move overseas, many more will fall victim to automation. Uber, Lyft, and taxi drivers will eventually lose their jobs to driverless cars, he said.

Nutter noted that new technology will also create jobs, advocating for a return to career and technical education to train workers for them. “One of the worst decisions ever made in education was to allow those systems to fail,” he said, also noting that career and technical education can provide individuals with the tools they need to convert their creativity into new jobs.

Nurturing the Entrepreneurial Spirit

The Cortex Innovation Community, headed by Lower, is a good example of an approach that integrates support from anchor institutions and attracts private dollars. The organization relies on five sponsor institutions — three universities, the largest healthcare system in the Midwest, and the Missouri Botanical Garden. The group began directing resources to a vacant and blighted area between St. Louis University and Washington University in 2002. A key component of Cortex's strategy is to concentrate people, businesses, and services in an urban space so that entrepreneurs can be close to talent coming out of local universities and easily access infrastructure and amenities. Currently, the 200-acre district is home to nine different innovation centers, with four additional centers under development. The proximity of the centers has attracted large regional companies and outside capital. In the last two years, there has been approximately $700 million of new development in the surrounding area unrelated to Cortex, Lower noted.

Cortex also focuses on building a comprehensive network of support for entrepreneurs. Its weekly Venture Café gathering brings in hundreds of people in the innovation community to network and participate in educational sessions. Cortex seeks to create a sense of community and harness the creativity of entrepreneurs, said Lower. Digital technologies have "democratized production, design, and creativity," he said, and the maker movement has given individuals the ability to create and market products using new online outlets.

"Inclusivity is one of our major goals," said Lower. Cortex has a broad range of programs aimed at ensuring job access for local residents, increasing participation from minority- and women-owned businesses, and improving educational outcomes. It also specifically targets underrepresented groups in its offerings for entrepreneurs. For example, each year, Cortex puts 70 to 75 new people through entrepreneur "boot camps," and about 50 percent of the participants are women or people of color.

Lower described how Cortex broadened its definition of entrepreneurship to focus on creativity and changed the language it used to inspire participation from minority groups. "Unless you see someone on the stage that looks like you, you don't believe you can do it yourself," Lower said.

Nutter said that "the larger story here is about collaboration and coordination." He said that the City of Philadelphia could do a better job of fostering coordination among the private, philanthropic, and public sectors when economic development plans for the city are being discussed. "If we're going to have conversations about economic inclusion, then the room should be economically inclusive for that conversation," Nutter said.

Further Information

For more information and to view videos of this discussion and other presentations, see the Policy Forum's agenda.

DEBT IN AMERICA

Federal Reserve Bank of Philadelphia

Federal Reserve Bank of Minneapolis

Consumers with low credit scores or limited credit history may have trouble accessing affordable financial services. To add to this challenge, a low score or lack of credit history may affect how people are evaluated in noncredit situations such as when applying for rental housing or activating utilities accounts.

FINANCIAL HEALTH
IN MIDWEST METRO AREAS

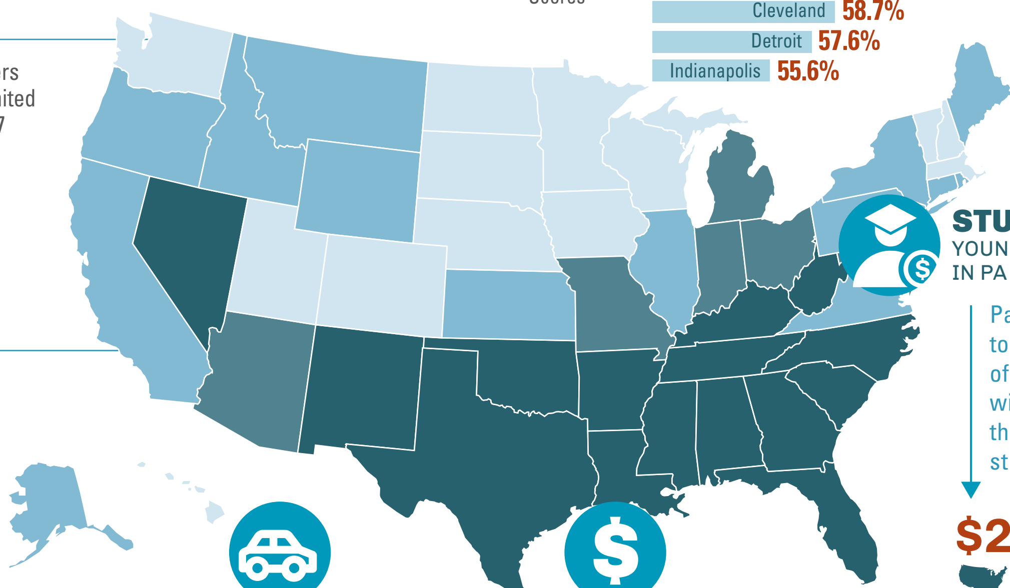
The financial well-being of credit users varies substantially across Midwestern metro areas.

Percent of consumers with prime Equifax Risk Scores

Minneapolis	70.7%
Milwaukee	63.4%
Chicago	61.5%
U.S.	59.2%
Cleveland	58.7%
Detroit	57.6%
Indianapolis	55.6%

Percent of consumers with poor, fair, or limited credit histories, 2017

- 45.0%+
- 40.0-44.9%
- 35.0-39.9%
- <35.0%



STUDENT LOANS
YOUNG BORROWERS IN PA AND WASHINGTON, D.C.

Parts of the Mid-Atlantic top the list for the percent of young borrowers 18–34 with student loan debt *and* their median outstanding student loan debt.

$24,600 D.C.: Median Loan Debt, Young Borrowers

U.S.: $15,600

57.0% PA: % of Young Borrowers

U.S.: 45.1%

CREDIT CARDS
MEDIAN DEBT IN ALASKA

Credit card holders in Alaska carry the highest balances nationwide.

$3,460

U.S.: $2,240

AUTO LOAN DEBT
SEVERELY DELINQUENT DEBT IN NONMETRO AZ, NM, TX

In nonmetropolitan areas of the Southwest, the share of borrowers who are severely delinquent on their auto debt is up to three times the national rate.

Percent of borrowers in nonmetro areas with severely delinquent auto loan debt

Arizona	23.4%
New Mexico	13.6%
Texas	13.0%
U.S.	7.1%

COLLECTIONS
IN SOUTHERN METRO AREAS

Many residents of low- and moderate-income (LMI) neighborhoods in the South struggle with collections.

Percent of consumers in LMI neighborhoods with debt in collections

Memphis	50.4%
Augusta	49.0%
New Orleans	45.7%
Birmingham	44.0%
U.S.	34.8%

Source: Tabulations by the Federal Reserve Banks of Philadelphia and Minneapolis of the Federal Reserve Bank of New York Consumer Credit Panel/Equifax, an anonymized, nationally representative 1-in-20 sample of all individuals in the United States with a Social Security number and credit file. Figures pertain to June 2017.

See "About the Data" for definitions and descriptions of calculations at philadelphiafed.org/cce

The views expressed here are those of the authors and do not necessarily represent the views of the Federal Reserve Banks of Philadelphia or Minneapolis or the Federal Reserve System.

Use the Consumer Credit Explorer to examine borrowing trends and compare indicators of financial well-being at the regional, state, and national level.

Using data from tens of millions of credit files nationwide, the Consumer Credit Explorer covers many common types of consumer debt, including auto, credit card, home equity line of credit, mortgage, and student loan debt, from 2005 onward.

Find out what's happening in your region at philadelphiafed.org/cce.