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## Building Shared Prosperity: How Communities Can Create Good Jobs for All

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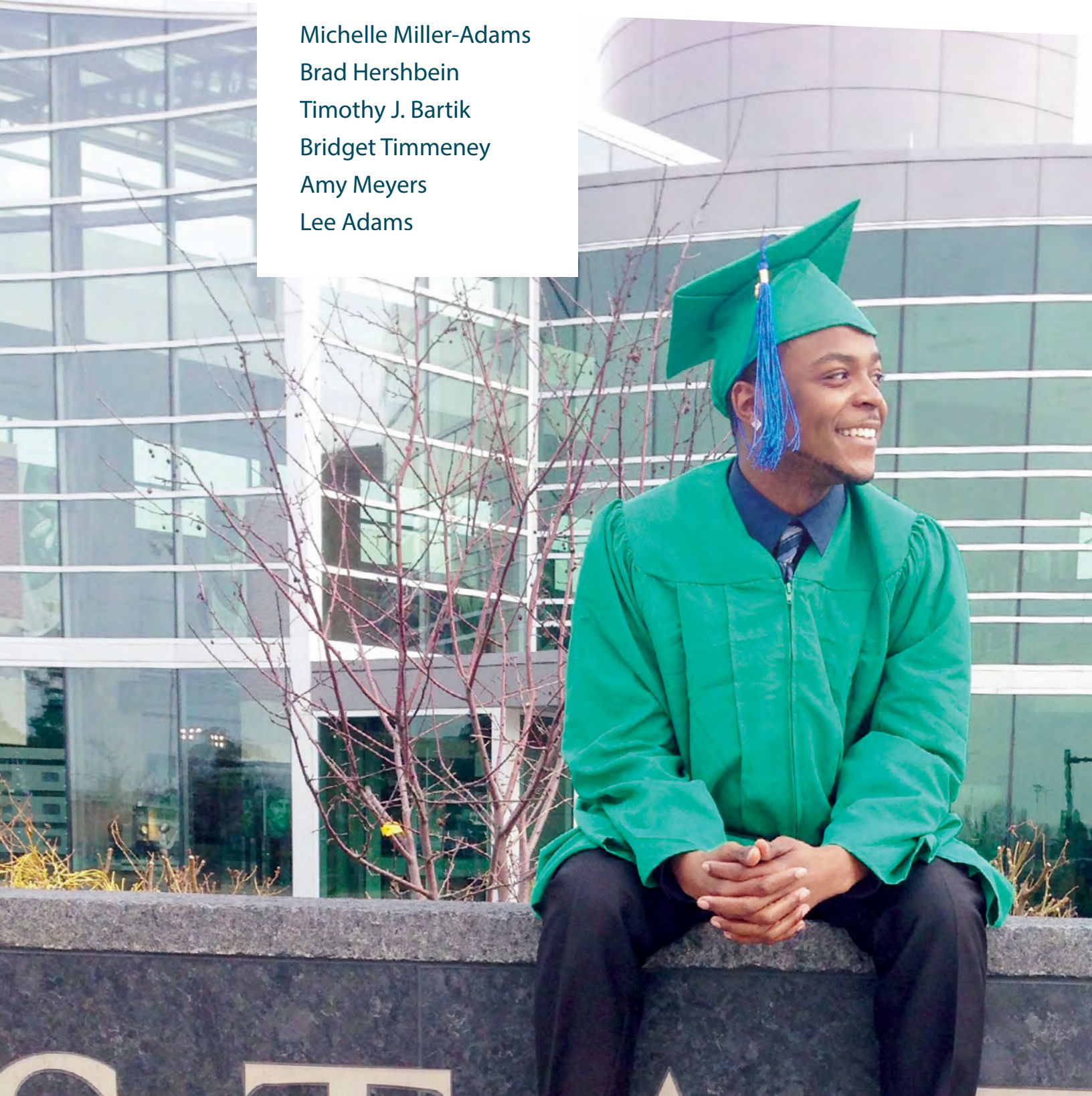
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# Building Shared Prosperity

## How Communities Can Create Good Jobs for All

March 2019

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## Introduction: About the Research Initiative



In 2018, the W.E. Upjohn Institute for Employment Research launched a major research initiative into place-based strategies for local prosperity. Place-based strategies are nothing new. For decades, cities, regions, and states have sought to increase the number of jobs available to residents, expand their tax base, and promote amenities and infrastructure development to improve the quality of life. While these are admirable goals, the Institute's place-based initiative aims for a more holistic focus to promote prosperity, targeting especially areas whose residents feel left behind. We contend that the best path for economically distressed communities is to ensure their residents are prepared for and connected to good jobs. This route yields both private and public benefits: investments needed to provide good jobs for residents not only improve the well-being of individuals and families, they also contribute to overall community prosperity.

There are two broad avenues through which communities can help their residents get and keep good jobs. First, communities can invest in human capital by promoting affordable higher education and innovative workforce training. Second, communities can invest in strategies that directly nourish business growth; these include efforts to retain and attract employers, such as providing tax incentives or business start-up and growth assistance.

Although these two categories differ in targeting either individuals or businesses, our research initiative focuses on how they both contribute to the same goal: more and better jobs for residents, with benefits broadly shared across demographic and income groups. And while these two sets of policies are often considered separately, policymakers and researchers benefit from considering them together:

- The goal of more and better jobs for residents can be best achieved by making high-quality investments in both local skills and business growth, not just one or the other.
- The design of programs in either category can be improved by keeping the other in mind. Skills investment programs are strengthened when they are sensitive to local business needs, and local business growth policies are more effective when they consider the local skill base.

Our initiative builds on long-established Upjohn Institute research in two areas. Institute staff have studied place-based scholarship programs for more than a decade, finding that such programs can enrich the human capital of a community's residents while making that community more desirable to employers and new residents. However, the design of these programs matters—the individual and community-level impacts achieved depend on decisions made up front about who benefits and how. We summarize in Chapter 1 the best practices for communities seeking to create place-based scholarships.

Similarly, for more than 30 years Institute researchers have studied local economic development policies, such as tax incentives and customized business services. We have examined the effects of these policies on business location and expansion, as well as the effects of job growth on average earnings for different groups of residents. As with place-based scholarships, the effectiveness of these programs depends critically on their design. Programs that directly provide local workers with the skills that employers need tend to be more effective both in promoting job growth and in encouraging

those jobs to go to people already in the community. Chapter 2 presents some best practices for communities seeking to support their local businesses.

The Institute's comparative advantage in contributing to these fields comes from synergies between our research and practice arms that make us a laboratory for policy. The Institute administers federal and state workforce training programs in a four-county region in southwest Michigan through Michigan Works! Southwest. The Institute's regional group advises communities throughout the nation on best practices in areas such as economic development and talent development. Our practitioners inform our research, and we seek to put into practice locally what we learn from it. Chapter 3 of this report focuses on two innovations in workforce training implemented by Michigan Works!, Neighborhood Employment Hubs and Employer Resource Networks (ERNs). Chapter 4 synthesizes knowledge from research and practice to present lessons for building strong community identity and alignment.

While the findings presented here are broadly applicable, they will be most useful to small and mid-sized American cities facing economic challenges. Many of these places have assets that are underleveraged and ripe for innovation. We hope this report generates new thinking about how communities can pursue a jobs-based strategy for broadly shared prosperity by simultaneously investing in the human capital of residents and providing targeted support to business. Top-down efforts, including federal policies, can create a more or less favorable context for place-based development, but they seldom recognize that each community's situation is different. The ideas we present are meant to inform grassroots strategies for small and medium-sized cities, as well as rural regions. These strategies do not necessarily rely on government funding or philanthropic gifts (although they may benefit from these), but they do require local actors to buy in, to bring resources to the table, and to work together.








# Chapter 1

## Place-Based Innovations in College Scholarship Programs



Helping to pay for college offers a unique twist on place-based policies for economic development. These policies historically referred to investments in local infrastructure or amenities. However, since the introduction in 2005 of the Kalamazoo Promise, the first college scholarship available to nearly all graduates of an entire school district, nearly 150 communities have applied a place-based approach to human capital investment by creating college scholarships.<sup>1</sup>

These scholarships, often called Promise programs, are offered to people (usually recent high school graduates and sometimes adults) who live in a specific place, whether a school district, city, or county. The goals of Promise stakeholders extend beyond expanding access to and affordability of postsecondary education; they also include improving workforce and business development.<sup>2</sup>

In recent research, we find that Promise programs can contribute to local prosperity by serving as catalysts for economic and educational improvements.<sup>3</sup> We know, for example, that Promise programs attach families more securely to a given place, with benefits for school districts and the broader community, even as they boost educational attainment. While research on the workforce outcomes of Promise programs is just beginning, preliminary evidence suggests that Promise programs will increase the likelihood of recipients remaining in the local community, and with greater levels of education. Research currently under way will address to what extent the programs help residents obtain better and higher-paying jobs.<sup>4</sup>

In this chapter, we highlight three lessons from our decade-plus of studying Promise programs.

### Lesson 1. Program design matters.

The Promise model has spread rapidly across communities, but new initiatives have often been created without a clear sense of how program design relates to impact. For example, is the program intended to attach families more securely to a community? Is the goal to attract middle-class families into a distressed urban core? Does the program seek to improve the quality of local public schools? Each of these rationales is plausible and valuable, but each requires a different program design to help achieve it.

The design parameters of a Promise program should create incentives for the change stakeholders hope to achieve. For instance, if the goal is to reinvigorate a city's public school district, scholarships should be restricted to graduates of that

**Promise programs attach families more securely to a given place, even as they boost educational attainment.**

school district. If, on the other hand, the goal is to create greater attachment to the community overall, graduates of public, private, and parochial schools should be included. If workforce development is the critical need driving Promise stakeholders, restricting scholarship use to local higher education institutions might make sense, as graduates of those institutions are more likely to stay in the local community than those who traveled away for college. In cases where the attraction of middle-class families is a priority, the more college choices provided by the scholarship the better, and four-year-college options are critical.

These examples suggest two key decisions that Promise stakeholders must make:<sup>5</sup>

**Which students are included?** We are strong advocates of universal-eligibility programs that reach a large share of students in the community. Many Promise programs have added eligibility criteria related to high school GPA, attendance rates, and community service in the interest of promoting higher achievement and directing benefits to “deserving” students. These limitations miss the point of Promise programs, which is to be transformative. Our decade-long observation of multiple Promise programs suggests that communities and school districts are most likely to respond with the kind of positive change Promise stakeholders desire if and when benefits are distributed broadly.

**What benefits does the scholarship provide?** To a large extent, this decision will be driven by financial resources, with programs restricted to two-year institutions being much more affordable than those offering four-year degrees, and with last-dollar programs (awarded after other forms of financial aid) costing much less than first-dollar programs. But decisions about scholarship use should also be driven by stakeholder goals. As noted above, workforce development

Communities are most likely to respond with the kind of positive change Promise stakeholders desire when benefits are distributed broadly.

provides a plausible rationale for limiting scholarships to local institutions, but providing four-year options is essential to avoid under-matching (students selecting colleges for which they are academically overqualified) and to create opportunities for different types of students.<sup>6</sup> Ideally, these programs will bring new money to students, rather than just encourage low-income students to use existing forms of financial aid. However, even last-dollar, community college programs that bring little new

money can benefit low-income students by encouraging students to see college as a viable option.<sup>7</sup>

Whatever the design choices, Promise programs benefit from a simple structure that is easy to understand and apply for. Indeed, the application form for some universal programs is a single page asking for little more than contact information, high school, and colleges of interest. Actual verification occurs between the school and the Promise program, avoiding unnecessary paperwork that can trip up students and their families. This process undergirds clear and powerful messaging.

## Lesson 2. Scholarship money alone is not enough.

More than a decade of experience suggests that simply providing scholarships to students without accompanying supports will limit a Promise program’s effectiveness. Scholarships will help students already headed to college go there more affordably, but if a community is serious about dramatically expanding college access and completion, new supports are needed at the K–12 and postsecondary levels. In high school—if not earlier—students who will be the first in their family to attend college need substantial guidance with college preparation: how to choose a college, how to maximize the high school experience for college readiness, how to access additional financial aid. Mentorship programs drawing on local businesses, community-wide FAFSA preparation, and local college access networks are among strategies being tried. At the postsecondary level, first-generation college-goers and low-income students need more intensive tutoring, assistance navigating college rules and processes, and supports for basic needs like food and transportation. Cohort approaches and mentorship can be helpful at this level, too, to make sure minor obstacles don’t become major ones. Positive outcomes of the City University of New York’s (CUNY’s) Accelerated Study in Associate Programs<sup>8</sup> have led to this kind of high-touch approach being applied (and studied) in Promise communities.<sup>9</sup> Strong partnerships among local higher education institutions and local Promise programs can facilitate these kinds of innovations.

### Lesson 3. Promise programs are only one component of place-based strategies for local prosperity.

Promise programs, especially the more generous, simple, and long-lasting ones, can be transformative for communities. Having a predictable framework—knowing, for example, that a Promise program will be in place to cover today’s kindergarteners—can facilitate educational innovation and allow enough time for students, families, school administrators, realtors, and other actors to reorient their behavior. Promise programs are perhaps most valuable as catalysts, bringing other initiatives and efforts into being that support student success and community vitality across the life course.<sup>10</sup> In some places these community-wide supports are a formal component of a Promise program—as in the Say Yes to Education! communities<sup>11</sup>—while in other places greater community engagement materializes naturally, as in the outpouring

of tutors who engaged with the Kalamazoo Public Schools following the introduction of the Kalamazoo Promise. A scholarship program can facilitate change on the part of many, but it cannot transform a community on its own. It must be connected to other place-making efforts, such as neighborhood development, support for local businesses, and workforce development, some of which are addressed in the following pages.

A scholarship program can facilitate change, but it must be connected to support for local businesses and workforce development.



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## Creating Cross-Sector Alignment — Lessons from the KC Scholars Program

One example of how coordination across community stakeholders can strengthen a place-based scholarship can be found in the Kansas City Scholars (KC Scholars) program, located in the six-county metro region of Kansas City.<sup>12</sup>

KC Scholars is intended to serve low- and modest-income high school students in the region, whether public, charter, private, or home-based, as well as low- to modest-income adults with some college and no degree. The effort is an ambitious attempt to invigorate the college-going culture and workforce skills in the greater Kansas City area. Building on the Ewing Marion Kauffman Foundation's initial investment, the KC Scholars program recognizes that the region's jobs will increasingly require some form of postsecondary credential. The scholarships are designed not only to improve access to and completion of higher education, but also to reduce opportunity gaps across age, income, and ethnicity.

In the few years since its launch in 2016, KC Scholars has become a vital and broadly recognized institution in the metro area, with effective collaborations with over 100 high schools and nearly two dozen institutions of higher education. Seventy volunteers from across the region assisted in the design and implementation of the program, and over 200 volunteers participate in the annual scholarship application review process. Two cycles of scholarship applications and awards have already taken place, with a third pending.

KC Scholars represents a multipronged approach to community alignment, as evidenced by donor involvement, volunteers, coordination with community-based college advising programs, and collaboration with K-12 schools and higher education institutions. The number of awards made annually is based on the external funds raised. Following an initial investment of \$79 million from the Kauffman Foundation, 150 individual donors have committed additional funds over the first two years, enabling over 1,500 scholarships to be awarded.





Another noteworthy alignment practice is the intentional formation and regular convening of the KC Scholars Postsecondary Network. With students able to use their scholarship at any one of 17 regional colleges/universities, the pattern could easily be one of colleges competing in a zero-sum game to lure the scholarship students. Instead, KC Scholars regularly convenes college and university representatives from provost offices, student affairs, admissions, and financial aid to identify barriers to student access and success. The college officials see these meetings as a springboard for cross-campus collaboration in several areas, including credit transfer, transcript fee waivers, and sharing of best practices for student support. Through this process, higher ed institutions also identified prior student debt as a significant barrier to enrollment; KC Scholars and a community-based organization

KC Degrees facilitated a partnership with the Metro Lutheran Ministries Fund to help resolve prior student debt issues.

KC Scholars illustrates how a deliberate effort to involve community stakeholders can amplify the impact of scholarships on student success.<sup>13</sup>



## Chapter 2

# Supporting Businesses for Shared Prosperity



To create more and better jobs for community residents, one popular option is to provide businesses with assistance designed to create job opportunities. In the United States, such assistance is largely provided through business tax incentives offered by state and local governments. Between 1990 and 2015, business tax incentives tripled in size and now total about \$45 billion annually. Continued state and local competition for businesses may drive this number even higher. For example, Wisconsin recently agreed to provide Foxconn with incentives of up to \$3 billion for a new flat screen manufacturing plant. The recent competition for a second Amazon headquarters led New York and Virginia to promise incentives of almost \$4 billion for two new Amazon complexes (see pp 10–11).

Unfortunately, many business tax incentives are wasteful, in part because they are poorly targeted and designed. Research suggests that the average incentive tips location or expansion decisions for less than one-quarter of the firms receiving incentives.<sup>14</sup> Moreover, in the average local labor market, for every 100 new jobs that might be created by incentives, only around 20 go to locals, with in-migrants taking the rest.

How can business assistance programs be made more cost-effective? Two types of policy reforms make sense. First, tax incentives can be scaled back, more tightly targeted, and better designed to help local residents. Second, some of the savings from incentive cutbacks can be used to expand high-quality services to small and medium-sized businesses. These direct services, described below, create more jobs per dollar of government resources than tax incentives. Furthermore, some services, such as customized training, encourage more local hiring.

### Better tax incentive policy.

Tax incentives can be made more cost-effective through the following reforms:

#### **Target incentives on industries with high local job multipliers.**

When a business creates a new job, an upstream or downstream business may also create a spillover job. The ratio of total jobs created in a local economy to the number of jobs created directly by an incentive for the assisted firm is called the local job multiplier. Typical local job multipliers might be around 1.5, implying that for every job directly created by the incentive, half as many additional local jobs might be created. However, some high-tech industries are estimated to have local job multipliers over 2.5—for every job directly created by incentives, one and a half times as many additional local jobs are created.<sup>15</sup> Concentrating incentives on high-multiplier firms and industries would create more jobs per dollar of incentives.

**Target incentives on locations that will lead to more local hiring, such as those with high unemployment rates.** Studies of incentives and job growth find that the major benefit is

The savings from incentive cutbacks can be redirected to customized job training, which has been shown to be more cost-effective in encouraging job growth.

through higher average earnings.<sup>16</sup> This increase in earnings stems from a boost to the employment rate, which both directly raises earnings per capita for those becoming newly employed and puts upward pressure on wages. But employment rates will rise only if jobs go to locals who are not employed; there is no similar boost if jobs are taken by in-migrants. Job growth leads to larger increases in per-capita earnings in areas with higher unemployment because a greater share of new jobs tends to go to the local unemployed. For example, one study finds an earnings boost that is two-thirds greater when local unemployment rates

are 7 percent rather than 4 percent.<sup>17</sup> Therefore, targeting job incentives on high-unemployment areas will produce greater benefits for local residents. Pursuing jobs more vigorously when times are tough is also likely to have a higher benefit-cost ratio for local communities.

## Incentives can be made more cost-effective by targeting them on high-multiplier firms in high-unemployment areas.

### **Avoid excessively long-term incentives to large firms.**

States and local governments front-load incentives to some degree, but all too often tax incentives continue for a decade or more after the initial location or expansion decision. Such long-lasting incentives are also disproportionately given to larger firms, with over 90 percent of incentives flowing to businesses with more than 100 employees. These targets make political sense: incentives toward larger and better-known firms make for good public relations, and spreading them over time allows a governor or mayor to pass on costs to their successor. But up-front incentives are more cost-effective. Firms making investment decisions are usually focused on short-term costs and profits<sup>18</sup>—a tax incentive still in effect 10 years later has little effect on business decisions, and it primarily serves to transfer money from public coffers to the firm. Furthermore, there is no compelling reason to favor large firms over small firms. In fact, locally owned small firms may have higher multipliers since they tend to buy more inputs locally. Eliminating, or at least significantly reducing, incentives lasting longer than five years could save substantial money with minimal costs to job creation. Not giving extraordinary deals to large firms that are unavailable to smaller firms would yield similar results.

### **Expanding business services.**

Relatively inexpensive assistance and services for businesses can influence their location and expansion decisions, particularly for smaller firms. While tax incentives at best lower business costs

dollar for dollar, business services can sometimes lower costs by a much bigger margin.

**Very low-cost development services.** Communities can help business development, often quite cheaply, by making it easier to locate and develop suitable sites. They can update zoning maps to allow appropriate business uses and review zoning and building code requirements to make sure they are reasonable. Communities can also streamline the development permitting process, making it more transparent, and consider assigning a business development liaison to help businesses negotiate the local development process. At somewhat greater cost, communities could also assemble land to create a local business park, with appropriate zoning and utilities already in place, and permitting ready to go.

**Customized business services.** Communities could provide various types of customized business services to smaller firms at modest cost, including manufacturing extension services, customized job training, small business development centers, and business incubators. These business services can increase productivity by five times their costs.<sup>19</sup> How? Some of these programs help businesses by providing high-quality advice, which is relatively cheap yet can significantly improve profitability. For example, manufacturing extension services help small and medium-sized manufacturers by providing them with advice on implementing new technologies or diversifying into new markets. Other programs provide services that smaller businesses find difficult to organize or finance on their own. Customized job training, for instance, may take the form of businesses partnering with the local community college to design training programs tied to firms' specific skill needs. Small and medium-sized firms often lack the scale or resources to run high-quality training on their own, and they may fear that trained workers will leave for other opportunities if they try. Government assistance that facilitates such services can surmount these problems.

## What's Wrong with the Foxconn and Amazon Incentives?

Three recent incentive offers—the one by Wisconsin to Foxconn and those by New York and Virginia to Amazon—have garnered significant public attention. In 2017 Wisconsin agreed to provide Foxconn with \$3 billion in cash incentives for a new flatscreen manufacturing plant, projected to employ about 13,000 workers at average annual salaries around \$54,000. In 2018 New York and Virginia each attracted about half of what Amazon had described as a second headquarters facility. New York promised Amazon \$3 billion in tax and other cash incentives for a project with up to 40,000 jobs reportedly paying average annual salaries of \$150,000. Virginia promised Amazon \$800 million in tax and other cash incentives for a project with up to 38,000 jobs, also reportedly paying an average of \$150,000.

Since the original offers, much has changed. As of this writing in early 2019, it is unclear how many of Foxconn's original planned jobs will occur. Faced with a political backlash, Amazon has now canceled its original New York plans. What can be learned from these problems?

Wisconsin's originally proposed Foxconn incentives would have been equivalent in value to 35 percent of the new plant's wages over a 20-year period. This amount is more than 10 times the average incentive offer—both nationally and for what Wisconsin had done previously—of 3 percent of wages. Subsidizing 35 percent of wages is not affordable as general policy, as there is almost no hope of recouping such costs, and states cannot afford to pay 35 percent of wages for any significant part of its economic base.

Such an incentive could make sense if Foxconn offered extraordinary benefits. But this seems unlikely. For example, research suggests that Foxconn has job multipliers similar to

those of most manufacturers. Even if the Foxconn multiplier was over 2.5, as has been claimed,<sup>20</sup> such numbers are far from sufficient to justify such large incentives.

Partially because of the hefty costs, the Foxconn incentive offer led to political backlash in Wisconsin, although the project still has some political support. More recently, Foxconn seems to have modified its plans to a more modest and more research-oriented facility, with potentially fewer benefits for less-educated workers. Under Wisconsin's incentive contract with Foxconn, the fewer jobs will reduce Wisconsin's incentives, but it is possible that the incentives per job will actually increase from the original very high level.

The Amazon offers by New York and Virginia, in contrast, are more in line with each state's past practices. The offer from New York, a high-incentive state, is equivalent to a 6 percent wage subsidy over 20 years, about twice the national average. The offer from Virginia, a low-incentive state, is equivalent to about a 1 percent wage subsidy, about one-third the national average. (The Virginia cash incentives are more delayed, which lowers their relative value compared to the raw dollar figures shown previously.)

All three of these incentive offers are excessively long-term, with the bulk of their value being provided five or more years down the road. For firms concerned with how their investments will pay off in the near term, it is unlikely that long-term incentives play much role in choosing where to locate.

Virginia's package for Amazon stands out by trying to leverage large-scale investments in transportation infrastructure and educational programs. In addition to the previously mentioned \$800 million in cash incentives directly provided to Amazon, Virginia's package includes some \$300 million in local highway and mass transit investment and



about \$1.1 billion to expand Virginia's tech-talent pipeline, including a new Virginia Tech campus in northern Virginia. These investments have three advantages for Virginia:

1. The transportation investments can reduce the congestion costs that Amazon's new facility will generate.
2. The higher education investments increase the likelihood that new Amazon jobs will go to Virginia residents rather than in-migrants.
3. Even if Amazon reduces its promised job commitments, expanded transportation and educational investments are likely to pay off for Virginia in attracting other good jobs and in improving amenities.

The Wisconsin and New York offers, in contrast, do considerably less for developing local transportation and educational infrastructure, which have broad public benefits. Moreover, neither does as much as Virginia's in bolstering local residents' skills, which is necessary for locals to access the new jobs.

A substantive and political lesson from the problems in Wisconsin and New York is that many interest groups are asking tougher questions about whether excessive cash incentives actually pay off for local residents. Handing out a lot of cash is easy, but risky. More benefits may occur from broader policies that help link new jobs to local workers.





## Chapter 3

# Place-Based Innovations in Workforce Development



While customized business services support job creation, and college scholarships help increase the human capital of an area's residents, innovative workforce development programs can be a complementary component of a place-based approach to building local prosperity by connecting workers to good jobs. Two promising examples are addressed here. Neighborhood Employment Hubs embed recruitment and training within community institutions to reach potential workers disconnected from traditional agencies. Employer Resource Networks (ERNs) bring together business partners interested in improving employee recruitment and retention practices through better coordination with area human service and workforce development partners. Both arrangements are designed to help communities meet employment challenges—whether those of a tight labor market or of a recession—by facilitating better matches between workers and employers and building the assets needed for training, promotion, and retention.

Success coaches are often on site and work with employees to resolve work and personal issues that can disrupt employment.

### Neighborhood Employment Hubs

Neighborhood Employment Hubs, currently being implemented in Michigan with funding from the W.K. Kellogg Foundation (see p. 13), seek to create stable jobs and more equitable employment opportunities for residents by bringing together local workforce training providers, neighborhood organizations, and community partners. Hubs focus resources in specific neighborhoods that have high concentrations of poverty and low levels of employment, and where residents may not engage with traditional one-stop centers. By housing small and easily

accessible employment centers within existing community-based organizations, the hubs rely on trusted institutions with which residents are already connected.

The hubs help people with significant challenges engage in career services, including skill assessment, resume development, and job and career exploration. Because of the on-site presence of other service providers, the hubs can also help remove barriers to work, such as the lack of transportation or child care, or the inability to pay for needed uniforms or tools. Unlike traditional employment resource centers, contact at the hubs begins with one-on-one conversations and may not focus specifically on employment or assessing current skill levels. Rather, employment specialists might first address an individual's specific obstacles and goals before discussing possible job opportunities. These discussions are possible because, even before this contact, staff have built and strengthened relationships with neighborhood residents by participating in family and community activities often at the same community center location as the hub. This process helps cultivate an atmosphere of trust, encouragement, and accessibility for a population where these factors may have been in short supply. These relationships make it easier for hub staff to impart career-readiness skills and help match someone to a job that is a good fit for both them and their employer.

Indeed, another key aspect of the model is careful integration of business needs. A liaison from Michigan Works! Southwest, the regional, publicly funded employment services agency, works with each hub to align the services individuals receive with employers' workforce targets. These business services coordinators serve a network of employers, facilitating on-going relationships and, as successful placements grow, participation of new employers in the program. Business services coordinators have successfully used the hubs to establish a network of employers who hire former offenders, providing employment

options to a group that otherwise would have few opportunities. Because the hubs can coordinate services and provide employability skills, career development, resume writing, and interview skills training even before individuals are released from jail, the employers benefit from ready access to motivated and prepared workers. Hubs thus do not merely attempt to address the supply side of talent development but consider the demand side as well.

Unlike traditional employment resource centers, contact at Neighborhood Employment Hubs begins with one-on-one conversations.



## Neighborhood Employment Hubs — The Battle Creek Pilot Project

The Neighborhood Employment Hub strategy was developed by Michigan Works! Southwest (MWSW) in partnership with the W.K. Kellogg Foundation (WKKF). Currently implemented in Battle Creek, Michigan, the hubs focus on serving African American and Latino populations whose incomes are below 200 percent of the poverty level, groups that face significant underemployment in the area. However, the hubs provide services to any individual in their neighborhoods, including those from the area's sizable Burmese population.

To determine where to locate the hubs, Michigan Works! staff in partnership with WKKF analyzed data from the American Community Survey and identified three locations within the city of Battle Creek: a local church, a housing complex, and a Community Action Agency. MWSW then recruited staff from outside the organization who had both existing ties to the target communities and program management skills and experience.

An additional Neighborhood Employment Hub was established within the Calhoun County Jail to provide services to individuals prior to release and to foster a successful transition into the community. This hub is unique in that there is a “captive audience” for workforce development and employment preparation services whose basic necessities—food, clothing, and shelter—have been provided by the criminal justice system. After release, however, these individuals will need to provide those necessities for themselves, and this reality serves as a strong motivation to seek out the Hub’s services prior to their release. During that transition, these individuals can continue to receive services at the same hub or another, whichever is most convenient for them.

Over the three-year period beginning in January 2018, MWSW aims to provide services to 700 individuals through Battle Creek’s Neighborhood Employment Hubs. MWSW has set two targets: place at least 25 percent of individuals into jobs where the pay averages \$15 or more per hour, and achieve a one-year job retention rate of 85 percent.<sup>21</sup>



Employer Resource Networks began when business owners realized they could more effectively address employee retention through coordination and shared resources.

### Employer Resource Networks

ERNs began in west Michigan over a decade ago in response to business concerns about the retention and skills of their workforces. Some business owners realized that they could more effectively address these issues through coordination and shared resources, both among themselves and with stronger partnerships with social service providers and workforce development agencies.<sup>22</sup> The intent of ERNs is to

- provide sustainable jobs for community residents by efficiently leveraging community supports, and
- enable businesses to find and keep the talent they need through a framework of employee training and support services.

ERNs have been particularly important for small and mid-sized firms, enabling them to pool resources to accomplish together what they cannot accomplish individually.<sup>23</sup> The distinguishing feature of each ERN is that participating businesses pay membership fees that are used to fund a case manager, known as a success coach. Often drawn from the community's public human services system, success coaches divide their time among participating businesses or are based in a central location. They

work with employees to resolve work and personal issues that can disrupt employment. Coaches also advise workers on vocational, communication, management, and other skills training needed for career advancement, and serve as a clearinghouse for resources offered by other community organizations, whether public or private. The end goal is lower tardiness, absenteeism, and turnover; lower hiring costs for employers; and ultimately improved productivity.

Member businesses participate in monthly consortia meetings to benchmark best practices, discuss trends and gaps within and across employers, and identify resources to further support workers and ensure sustainability. Successful ERN participation requires support from upper management, and representatives at consortia meetings are often the CEO or senior hiring manager, which also facilitates productive networking among members.

## Michigan's Employment Resource Networks

Michigan Works! Southwest, the regional, publicly funded employment services organization housed within the Upjohn Institute, began its partnership with West Michigan TEAM (now called Michigan ERN within the state and ERN USA elsewhere) in 2012. This resulted in the creation of the Southwest Michigan ERN (SWMERN), comprised of 11 employers in Calhoun and Kalamazoo Counties. In October 2018, Michigan Works! Southwest became the coordinating entity for this effort. There are now active ERNs in seven states, with three more under development.<sup>24</sup>

The keys to successful implementation and expansion of Southwest Michigan's ERN have been employer engagement and cross-sector collaboration among member employers. SWMERN members meet monthly to govern the organization, network, and solve hiring challenges and workplace issues. In addition to connecting local employers to each other, membership connects employers to a network of community partners, including social service agencies, nonprofit organizations, training institutions, and chambers of commerce. Member employers vary in size and geographic location; they also represent a diverse set of industries, including child care, health care, hospitality, and manufacturing. Finally, SWMERN provides ancillary services to support financial literacy and savings, partnering with local financial institutions to

offer a Hardship Loan & Savings Program. Through this program, the success coach can connect clients to mainstream lenders that can help them resolve financial burdens, such as unexpected auto repairs and family emergencies, and provide guidance on financial literacy, repaying existing debts, and repairing credit. While other community resources are sought first, loans are offered as a last resort for employees facing a financial emergency. Any such loan requires a \$10 per week deposit into a savings account, on top of the loan repayment amount, and these funds cannot be withdrawn until the loan is paid in full. Upon payoff, the client is encouraged to continue the habit of saving. This commitment device not only introduces the importance of saving, but also acts as a safety net for the lender, as the money is effectively held in escrow and devolves back to the creditor to cover any unpaid portion of the loan.

In the 2017–18 reporting period, four success coaches served over 1,400 employees and their families through SWMERN, providing services ranging from coaching to financial literacy, and finding child care to navigating government agencies. They also helped clients access (collectively) almost \$50,000 in emergency loans and save over \$25,000.<sup>25</sup>



# Chapter 4: Building Vital Communities

As noted throughout this report, broadly shared prosperity requires good jobs for residents— jobs that come either from new businesses moving to an area or the expansion of existing businesses. The strategies highlighted represent avenues for securing the inputs businesses need to create good jobs. One such input is high-quality workers. Place-based scholarships, discussed in Chapter 1, and innovative approaches to workforce training and development, addressed in Chapter 3, can help provide these. Another input for businesses, particularly small and mid-sized ones, is the type of growth-oriented services and assistance described in Chapter 2.

Throughout this report, we have emphasized such locally based strategies rather than top-down initiatives from the state or federal government because we believe that most communities are best positioned to understand their own needs and leverage their unique assets. Although strategies for building community vitality will vary depending on local assets and needs, there are commonalities and general principles that can and should guide decision-makers. Naturally, these strategies work best if they are connected to each other and embedded in an overall strategic vision. In this concluding chapter we offer a few key lessons to help make that strategic vision a reality.

## Lesson 1: Build strong civic leadership.

How different communities fare rests at least in part on the quality of their leadership and the ability to respond to economic challenges in a coordinated way. Our hometown of Kalamazoo was once the “company town” of a major pharmaceutical manufacturer, the Upjohn Company. When that company merged with a larger firm and Kalamazoo lost its headquarters in the mid-1990s, the city’s economic base shifted away from pharmaceuticals and toward a more diverse set of medical technology and health science–related industries. This evolution was not random; rather, it was promoted by a forward-thinking group of civic leaders who saw the writing on the wall and did their best to prepare the local community for the loss of its leading employer. The neighboring city of Grand Rapids

has one of the fastest-growing economies in the nation; there, a group of engaged civic leaders and philanthropists has directed infrastructure investments while attracting medical and educational institutions to the urban core. Civic leaders should seek to understand their community’s assets and needs so they can foresee challenges and opportunities.

## Lesson 2: Attend to alignment.

Social capital, networks of trust and reciprocity that are found in successful communities, represents real value when a community is called upon to respond to an economic shock or crisis, but social capital does not materialize spontaneously, nor can it be created easily once in crisis mode. Leaders from the civic and business communities must work actively and in tandem with other community members, including those who represent low-income neighborhoods and residents, to cultivate trust through regular and

We believe that most communities are best positioned to understand their own needs and leverage their unique assets.



repeated interaction of community stakeholders. In his book *Why the Garden Club Couldn't Save Youngstown*, business scholar Sean Safford argues that the more extensive and diverse social networks among the elites of Allentown, Pennsylvania, led to that city recovering from the collapse of the steel industry more successfully than its peer city of Youngstown, Ohio.<sup>26</sup> And the willingness of Nashville's civic leaders to work together in the 1960s to create the first true city-county unified government is considered by some observers to be an important component of that city's later success.<sup>27</sup> Conversely, in Michigan, competition among small municipal jurisdictions—what former Albuquerque mayor and urban scholar David Rusk calls a “little box” system of government—has hindered the revitalization of Detroit and Flint. Formal collective impact strategies that bring diverse sectors together around common goals and shared data are one approach to strengthening social capital and creating this alignment, but the same ends can be sought through other arrangements, such as the Grand Action coalition in Grand Rapids that has guided that city's downtown development.

### Lesson 3: Claim available resources.

Some places are rich in philanthropy (Kalamazoo and Grand Rapids), while others rely on their largest employers to spearhead investment (Pittsburgh and El Dorado, Arkansas). But localities do not have to go it alone. While we believe solutions should ultimately be locally sourced, the state and federal government can and do contribute funds if cities know how to access them. Successful communities often apply for and receive state or federal dollars or tax-increment financing designations—including the recent examples of Empowerment Zones, Promise Neighborhoods, and Opportunity Zones, among others. Leaders in the Lehigh Valley, for example, lobbied Pennsylvania for a regional headquarters of the Ben Franklin Technology Partnership, a tech-driven economic development program offering grants, loans, equity capital, and technical assistance and services to smaller businesses. Grand Rapids blended philanthropic investments with state dollars in public-private partnerships designed to revitalize the urban core. Nearly every place should be able to arrive at some combination of government funds, private philanthropy, and business investment that makes sense in light of its history and culture.

### Lesson 4: Improve infrastructure, both in physical capital and human capital.

Infrastructure and the ease of land development can be pivotal elements in attracting and retaining business. Simple permitting, ready utility hookups, and land near transportation routes all provide an edge. Employing these strategies, Battle Creek's Fort Custer Industrial Park led to some 5,000 jobs that would otherwise not exist in the area, and an additional \$600,000 annually in net tax revenue.<sup>30</sup> Nearby institutions of higher education, if available, are a further boon. Business leaders in Kalamazoo partnered with local Western Michigan University to create a high-tech research park and business incubator, with “angel investment” funding to retain scientific

Leaders must work actively to cultivate trust through regular and repeated interaction of community stakeholders.

talent. In its pitch to Amazon, Virginia highlighted its investments in a new high-tech campus of nearby Virginia Tech, as well as expanding tech prep programs in colleges and high schools statewide and upgrading local Metro stops and highways. While these investments may not have been critical to Amazon's decision, they almost certainly made the area more attractive for high-tech investment for other businesses, even if Amazon were to one day relocate.

### Lesson 5: Don't be tied too closely to the past but build on it.

Cities exert a great deal of effort trying to replace the employers they have lost rather than evolving to attract new kinds of jobs and workers. Nonetheless, any efforts to cultivate new industry will be more effective if they build on existing assets. Pittsburgh's leadership in autonomous vehicles relies on its universities' strong track record in robotics and a vibrant tech start-up scene. Kalamazoo's growing base of medical technology firms builds on its history of pharmaceuticals and

its mid-sized manufacturing base. Cities that offer a tuition-free path to higher education for many of their young people, as both Kalamazoo and Pittsburgh do, will be well positioned to train and educate residents for new jobs as they emerge. Customized assistance to business can help ensure that those jobs are being created and tailored to local talent. Communities can and should embrace their changing identities. Pittsburgh may no longer be Steel City, and Kalamazoo is no longer a pharmaceutical company town, but both have built on their pasts to create new identities that make sense and help position them for the future. Grand Rapids has explicitly announced that it is doubling down on manufacturing. But the nature of that manufacturing may change, as it has in Grand Rapids, where firms that once bent metal and shaped plastic for car parts are now bending metal and shaping plastic for medical instruments.

Successful communities develop their local vision and mobilize the key business inputs needed to achieve that vision. Our research suggests that worker skills and small business services are two ingredients that are part of almost any vision, but the exact design will depend on the details of the community's history and context. For example, an area with excess capacity in infrastructure and vacant land for industrial and business use but without an institution of higher education will have a different path than one where human capital exceeds physical capital. Stakeholders in local communities know their own challenges and assets better than anyone else, and the exact process of place-based development should emerge from the place itself, not be imposed by policymakers on high, or even by researchers like ourselves. As with the place-based scholarship movement and many other innovations in U.S. social and economic policy, the best solutions often emerge through experimentation and insights at the local level. Place-based development for shared prosperity is hardly any different.

Cities exert a great deal of effort trying to replace the employers they have lost rather than evolving to attract new kinds of jobs and workers.





# Endnotes

<sup>1</sup> See Miller-Adams, Michelle, Brad Hershbein, and Bridget Timmeney. 2017. Promise Programs Database. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. Available at [www.upjohn.org/promise/database](http://www.upjohn.org/promise/database). Although some of the programs included in the database have been launched by community colleges primarily to expand access to education and training, many are community-based initiatives led by cities, counties, or school districts that seek more transformative goals. Because of their greater collaboration and broader focus, we focus on the latter in this report..

<sup>2</sup> For more information, see Miller-Adams, Michelle. 2009. *The Power of a Promise: Education and Economic Renewal in Kalamazoo*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. For a discussion of Promise programs more generally, see Miller-Adams, Michelle. 2015. *Promise Nation: Transforming Communities through Place-Based Scholarships*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. Available at <https://doi.org/10.17848/9780880995061>. Accessed 2/1/2019.

<sup>3</sup> See Miller-Adams, Michelle, and Edward Smith. 2018. “Promise Scholarship Programs and Local Prosperity.” Policy Paper No. 2018-019 and Policy Brief. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. Policy paper available at [https://research.upjohn.org/up\\_policypapers/19/](https://research.upjohn.org/up_policypapers/19/); policy brief available at [https://research.upjohn.org/up\\_policybriefs/4/](https://research.upjohn.org/up_policybriefs/4/). Accessed 2/1/2019.

<sup>4</sup> This research is being funded by Strada Education Network and will address the workforce outcomes of Promise programs in four communities. Results will be disseminated in 2019–20.

<sup>5</sup> For more on program design considerations, see Miller-Adams (2015) op. cit., especially Chapter 4.

<sup>6</sup> Undermatching has been found to reduce the likelihood of students’ completing college. For reviews, see Chingos, Matthew M., Michael S. McPherson, and William G. Bowen. 2009. *Crossing the Finish Line: Completing College at America’s Public Universities*. Princeton: Princeton University Press; and Dillon, Eleanor Wiske, and Jeffrey A. Smith. 2018. “The Consequences of Academic Match between Students and Colleges.” NBER Working Paper No. 25069. Cambridge, MA: National Bureau of Economic Research.

<sup>7</sup> For a discussion of this issue in connection with statewide tuition-free college programs see Goldrick-Rab, Sara, and Michelle Miller-Adams. 2018. “Don’t Dismiss the Value of Free-College Programs, They Do Help Low-Income Students.” *Chronicle of Higher Education*. September 8.

<sup>8</sup> See Scrivener, Susan, et al. 2015. *Doubling Graduation Rates: Three-Year Effects of CUNY’s Accelerated Study in Associate Programs (ASAP) for Developmental Education Students*. New York: MDRC. Available at <https://www.mdrc.org/publication/doubling-graduation-rates>. Accessed 2/1/2019.

<sup>9</sup> See MDRC’s [Detroit Promise Path evaluation](https://www.mdrc.org) and [College Promise Success Initiative](https://www.mdrc.org). Find at <https://www.mdrc.org>.

<sup>10</sup> Iriti, Jennifer, Lindsay C. Page, and William E. Bickel. 2018. "Place-Based Scholarships: Catalysts for Systems Reform to Improve Postsecondary Attainment." *International Journal of Educational Development* 58: 137–148.

<sup>11</sup> Say Yes to Education is a nonprofit organization that works with community partners to provide high school graduates access to college through scholarships and additional supports and services. There are currently community-wide Say Yes programs in four locales: Syracuse, NY; Buffalo, NY; Guilford County, NC; and Cleveland, OH. For more information, see <http://sayyestoeducation.org/about/>.

<sup>12</sup> For more information about KC Scholars, see the program's website: <https://kcscholars.org>.

<sup>13</sup> Timmeney, Bridget, Brad J. Hershbein, Kevin Hollenbeck, Michelle Miller-Adams, and Nathan Sotherland. 2017. *Kansas City Scholars Program: Year One Report*. Report prepared for Ewing Marion Kauffman Foundation. Available at <https://research.upjohn.org/reports/229/>. Accessed 2/1/2019.

<sup>14</sup> Bartik, Timothy J. 2018. "But For' Percentages for Economic Development Incentives: What Percentage Estimates are Plausible Based on the Research Literature?" Upjohn Institute Working Paper 18-289. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. Available at <https://doi.org/10.17848/wp18-289>. Working Paper (forthcoming).

<sup>15</sup> Bartik, Timothy J., and Nathan Sotherland. 2019. "Local Job Multipliers in the United States: Variation with Local Characteristics and with High-Tech Shocks." Upjohn Institute mimeo.

<sup>16</sup> Bartik, Timothy J. 2018. *Who Benefits from Economic Development Incentives? How Incentive Effects on Local Incomes and the Income Distribution Vary with Different Assumptions about Incentive Policy and the Local Economy*. Upjohn Institute Technical Report No. 18-034. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. Available at <https://doi.org/10.17848/tr18-034>. Accessed 2/1/2019.

<sup>17</sup> Bartik, Timothy J. 2015. "How Effects of Local Labor Demand Shocks Vary with the Initial Local Unemployment Rate." *Growth and Change* 46(4): 529–557.

<sup>18</sup> Poterba, James M., and Lawrence H. Summers. 1995. "A CEO Survey of U.S. Companies' Time Horizons and Hurdle Rates." *MIT Sloan Management Review* 37(1): 43.

<sup>19</sup> Bartik, Timothy J. 2018. "What Works to Help Manufacturing-Intensive Local Economies?" Upjohn Institute Technical Report No. 18-035. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/tr18-035>. Accessed 2/1/2019.

<sup>20</sup> Ernst and Young. 2017. *Quantifying Project Flying Eagle's Potential Economic Impacts in Wisconsin*. Report prepared for a Fortune 50 company. Available at [http://www.thewheelerreport.com/wheeler\\_docs/files/0728ey.pdf](http://www.thewheelerreport.com/wheeler_docs/files/0728ey.pdf). Accessed 2/1/2019.

<sup>21</sup> The W.K. Kellogg Foundation grant is being evaluated by Social Policy Research Associates of Oakland, CA, but evaluation reports are not yet publicly available.

<sup>22</sup> Derr, Michelle, and Pamela Holcomb. 2010. "Employer Resource Networks: Uniting Businesses and Public Partners to Improve Job Retention and Advancement for Low-Wage Workers." Issue Brief. Washington, DC: Mathematica Policy Research. Available at <https://www.mathematica-mpr.com/download-media?MediaItemId={3C85F0B0-A1FA-48FF-AD9C-343E6F2AFFA3}>. Accessed 2/1/2019.

<sup>23</sup> Timmeney, Bridget, and Kevin Hollenbeck. 2012. *Employer Resource Networks: What Works in Forming a Successful ERN?* Report prepared for DISC (Disruptive Innovation for Social Change—Grand Rapids). Available at <https://research.upjohn.org/reports/191/>. Accessed 1/21/2019.

<sup>24</sup> See <http://www.ern-usa.com/>. Accessed 2/1/2019.

<sup>25</sup> Michigan ERN, "Key Performance Indicators," October 2017-September 2018.

<sup>26</sup> Safford, Sean. 2009. *Why the Garden Club Couldn't Save Youngstown: The Transformation of the Rust Belt*. Cambridge, MA: Harvard University Press.

<sup>27</sup> Casselman, Ben. 2018. "Nashville's Star Rises as Midsize Cities Break into Winners and Losers." *New York Times*. December 18. Available at <https://www.nytimes.com/2018/12/16/business/economy/nashville-birmingham-amazon.html>. Accessed 1/21/2019.

<sup>28</sup> See, for example, "Ben Franklin Tech Partners to Invest \$552,215 in Northeast PA Companies." Press release, April 4, 2018. Available at <https://www.cnbc.com/2018/04/04/globe-newswire-ben-franklin-tech-partners-to-invest-552215-in-northeast-pa-companies.html>. Accessed 1/28/2019.

<sup>29</sup> For more information, see the website of Grand Action: [www.grandaction.org](http://www.grandaction.org).

<sup>30</sup> Anderson Economic Group. 2018. *The Economic and Fiscal Impacts of Fort Custer Industrial Park*. August 3. Available at <https://www.andersoneconomicgroup.com/the-economic-and-fiscal-impacts-of-fort-custer-industrial-park/>. Accessed 1/28/2019.

# Notes

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In 2018, the Upjohn Institute launched an initiative to research how communities can create broadly shared prosperity by helping residents get and keep good jobs. The research initiative is led by three co-directors with the support of an internal steering committee and an external policy advisory committee.

**Steering Committee**

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