8-12-2021

A Moment of Opportunity: Strategies for Inclusive Economic Growth

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Citation
Miller-Adams, Michelle, Timothy J. Bartik, and Brad J. Hershbein. 2021. "A Moment of Opportunity: Strategies for Inclusive Economic Growth." Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. https://doi.org/10.17848/tr21-040

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August 2021

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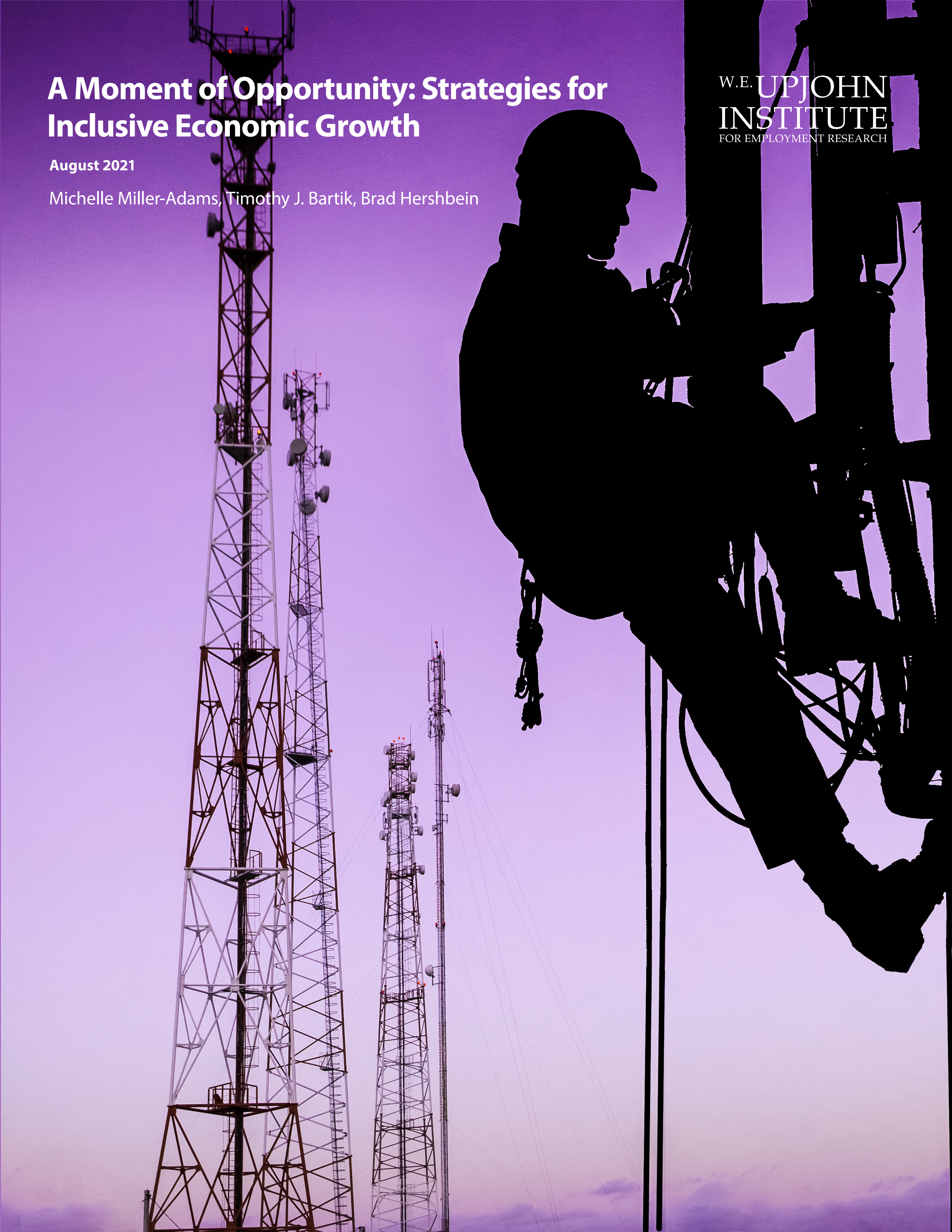
W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH



PROMISE
INVESTING IN COMMUNITY

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The authors gratefully acknowledge the support and contributions of Lisa Abbott, Lee Adams, Brian Asquith, Katie Bolter, Allison Hewitt Colosky, Michael Horrigan, Susan Houseman, Jennifer Iriti, Elizabeth Kellogg, Nichola Lowe, Allison McKenna, Sarah Micheli, Kathy Olsen, Gabrielle Pepin, Bridget Timmeney, Tara Vinodrai, and Rich Wyrwa.

A Moment of Opportunity: Strategies for Inclusive Economic Growth

We are pleased to share with you "A Moment of Opportunity: Strategies for Inclusive Local Growth," the third annual report of the Upjohn Institute's place-based research initiative. We began work on this report in late 2020, just as the third wave of COVID-19 was raging through much of the nation and the outlook for health and prosperity looked grim. The report was completed in June 2021, after vaccines became widely available and unprecedented amounts of federal fiscal relief and stimulus had begun to reach American residents and the states and communities in which they live.

The Biden administration's recovery plans represent not only an ambitious effort by the federal government to address longstanding social and economic problems, but also an unparalleled opportunity for states and local communities to leverage federal money to implement innovative, evidence-backed programs outside the constraints of tight state and local budgets. In its recovery efforts, the administration is arguing for a broadened definition of infrastructure that includes investments in both economic resources, such as expanded broadband access, and human capital, such as childcare and early childhood education, tuition-free college and career/technical education, and economic development assistance for small businesses and rural areas—all issues our place-based initiative has attended to in the past.

The need for innovative investments will be great. Even as millions of people remain without jobs, the aftermath of the pandemic will change where work is performed, the types of jobs in demand, and the skills needed to succeed. Transportation systems set up to move workers to jobs in city centers are ill-equipped to move workers to the suburbs, where more jobs, especially service jobs, are expected to shift because of remote work. Community colleges that already lack faculty and equipment for health care and skilled manufacturing training will be further stressed as demand for these occupations rises. Childcare and other networks that support working parents will remain hampered by low pay and a shortage of trained workers. The pandemic has clearly shined a light on issues of equity, access, and inclusion within our economy. Tackling these issues will require new approaches and institutional reform.

In this report, we offer practical strategies for communities and states seeking to promote broadly inclusive growth through good jobs. We focus on three critical areas that are crucial to supporting jobs and workers: education and training, business job creation, and housing and childcare infrastructure. We have highlighted strategies that can be pursued with new flows of federal aid, but also those that can be continued when that aid runs out. We hope these ideas are not only embraced by communities and states but are tailored to fit their special needs while building on the unique assets of each area. Our work on place-based development suggests that no one policy fits every situation, and local actors themselves are those best positioned to understand what will work in their communities.

We hope that the pandemic, while revealing the weaknesses of our social and economic systems, also opens the space for new approaches to creating prosperity for all.

Sincerely,

Tim Bartik, Brad Hershbein, and Michelle Miller-Adams
Co-directors of Upjohn Institute's "Promise: Investing in Community" Initiative

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Chapter 1: The Pandemic Crisis in Inequality

Overview

The Upjohn Institute's place-based research initiative is dedicated to sharing practical approaches that communities can use to help their residents get and keep good jobs. This year's report asks: What can our communities do to achieve inclusive growth?

The context for this report is quite different than in past years. In 2020, the COVID-19 pandemic sent the economy into deep recession, exacerbating an already difficult landscape. Longstanding inequities in employment and education across individuals, groups, and places widened further during the pandemic.

For example, the lowest-wage workers suffered far greater employment losses than high-wage workers, and their employment rates have been much slower to recover. Permanent job losses among Black workers have been almost twice those of white workers, and the decline in the labor force participation rate has been much greater for mothers than for fathers.

The pandemic has particularly harmed the economies of regions dependent on tourism, as well as areas dependent on global supply chains. Due to longstanding health inequities and barriers to social distancing, COVID cases and deaths have been more prevalent in poor communities, causing both short- and long-term damage to the local economy.

COVID has also differentially disrupted the education of more disadvantaged groups, who were more likely to spend the 2020–2021 school year in virtual rather than in-person classes, even as evidence mounts of their steeper learning losses. For the 2019–2020 school year, majority-Black elementary schools had achievement gains only 60 percent of normal, a considerably sharper drop than for majority-white schools.

In addition, during the fall of 2020, even as U.S. employment had begun to recover, college enrollment rates declined for young people, with especially pronounced drops at the community colleges that serve many low-income and first-generation students. Even in places with generous place-based scholarships, such as the Kalamazoo Promise, the pandemic reduced college enrollment over the past school year, especially for students of color.

If policy fails to respond adequately, these short-run effects of the pandemic recession will have long-run consequences for both individuals and communities. Workers losing jobs can suffer earnings losses of up to 20 percent five years later, and cities with greater recession-induced job losses can expect both total employment and the share of their residents with jobs to lag behind less-affected areas even a decade later. Displaced workers risk losing valuable job experience and tenure while undergoing greater stress, which can lead to social problems ranging from substance abuse to family dissolution. Community-wide job loss can undermine local business networks and make it harder for an area to compete in attracting new workers and businesses.

Education losses, unless reversed by subsequent policies, will also have long-term consequences. Some researchers forecast that lifetime earnings of affected children could be cut on average by about two-thirds of 1 percent. While this sounds like a small effect, it is large considering the number of affected children, and it is enough to reduce overall economic growth for decades to come. Moreover, the impacts will be unevenly distributed, with the already disadvantaged losing more, and likely further entrenching inequality.

But these are not foreordained conclusions. The flip side of "history mattering" for inclusive prosperity is that policies that get more people into good jobs or catch students up on learning over the next year or two can have persistent long-run benefits.

While recovery has begun, it has not been equitable. The affluent have gained from rising stock and housing prices. High-income workers were more likely to have had jobs and living situations that allowed them to work remotely. Those at the lower end of the income distribution often had to work in person, exposing them to a higher risk of contracting COVID-19, and they have been slower to regain secure employment. This is reflected in low overall employment rates, low wages, problems finding decent and

If policy fails to respond adequately, the short-run effects of the pandemic recession will have long-run consequences for both individuals and communities.

Overcoming barriers that inhibit cooperation is key to a successful local strategy for inclusive growth.

affordable childcare, and housing that is unstable, unaffordable, or too far from jobs.

Yet this moment of crisis is also a moment of opportunity. The pandemic underscored the fragility of the U.S. social safety net, while a social movement for racial and economic justice highlighted longstanding inequities. A change in national leadership has opened the way for consideration of policy ideas that could dramatically reduce inequality.

A Moment of Opportunity

In March 2021, Congress narrowly passed the Biden administration's American Rescue Plan, a $1.9 trillion effort to provide various forms of mostly temporary help: increased monetary aid to most households, additional aid to the unemployed, large short-term grants to state and local governments and schools, and temporary refundable child tax credits. The enormous expansion of state and local resources that came with the American Rescue Plan provides an opportunity: communities can invest now in programs that will increase employment and wages for a generation, and perhaps longer. Some of these programs will require ongoing investments, so communities will need to budget and plan wisely.

Still on the table, with outcomes uncertain, are the proposals in the administration's American Jobs Plan and American Families Plan. These include large-scale infrastructure funding, broadband investments, various types of services for small businesses and manufacturers, help for rural and other distressed areas, expanded workforce training programs, permanent refundable child credits and childcare assistance, universal preschool availability for 3- and 4-year-olds, and funding for two years of tuition-free community college.

We do not claim a crystal ball to know which components, if any, of these ambitious plans will be realized. We think it's safe to predict, however, that whatever is enacted will leave significant gaps in what local economies need to truly achieve inclusive growth. Where federal aid is available, leveraging it effectively will require local funding matches and locally developed plans. In areas where federal aid does not reach, state and local governments will need creative and cost-effective grassroots programs to fill in the gaps.

While the American Rescue Plan leaves state and local governments temporarily flush with funds, the money will not last long, given heightened expenses from the pandemic and anticipated drops in tax revenue in core urban areas as more people work from home. Continued federal support for state and local governments is unlikely at any large scale. Therefore, as state and local areas consider how to create good jobs for all, they will face long-term resource constraints. States and cities should take advantage of the short-term windfall to implement bold ideas that require up-front investment with the understanding that sustainability will require doing more with less. They will need to capitalize on ideas to promote economic development and improve job opportunities for residents that are low cost to maintain yet catalyze larger and ongoing benefits.

But getting people into good jobs requires more than skill-development programs or initiatives to help businesses generate more job opportunities. Other barriers need to be addressed. As the pandemic has illustrated, when childcare is unavailable, many workers cannot work regularly, even if they have the requisite skills and jobs are available. If housing in neighborhoods with access to good jobs is too expensive, residents will be left behind and inclusive growth will remain out of reach. Therefore, we also offer ideas to improve the availability of affordable, high-quality childcare and housing, which we view as prerequisites for more workers getting good jobs.

This report addresses three broad avenues—education and workforce training, state and local economic development, and the availability of childcare and housing—through which communities can respond to the pandemic crisis and provide good jobs and a high quality of life to residents. For each topic, we discuss inexpensive approaches that can serve as short-term solutions during the recovery, as well as longer-term policies that communities can begin to implement. We also provide guidance on how to blend these ideas into an integrated strategy that promotes broadly shared prosperity.

Pulling all these policies together requires effective local leadership and organization. As we have mentioned in previous reports, overcoming local barriers that inhibit cooperation—whether between economic and workforce developers, schools and employers, or neighborhoods and the business community—is key to a successful local strategy for inclusive growth.

Chapter 2: Education and Workforce Training

The COVID-19 pandemic has placed huge strains on the nation's education and training systems. Short-term cracks include the challenges of remote learning for both students and instructors, and sharp drops in college enrollment, especially at community colleges and for people of color. While we are hopeful these trends will reverse by fall 2021, longer-term fissures, from the inequitable learning losses for K–12 students due to prolonged school closings to the decline of in-person employment training and disruption in hiring of recent graduates, will take longer to heal. These developments will heighten already existing economic and racial disparities in young people's career trajectories. What can states and local communities do to overcome these problems?

Drawing on recent research, we recommend several interventions that span the educational continuum, from early childhood to post-college entry into the workforce. This multifaceted focus recognizes that no single solution is sufficient and that mitigating unequal educational outcomes requires effort at every step of the way. Although our set of strategies could be supported by the federal government (and recent infusions of federal relief funds will help temporarily), we emphasize that state and local governments play a critical role. Not only should they choose to continue and deepen these investments, they will also need to coordinate and balance interventions to meet their unique needs.

We present our recommendations in life cycle order—starting with early childhood and concluding with adult learning—to emphasize that these policies work best as a continuum, with one naturally sequencing to the next. We believe this is truly a case where the whole is more than the sum of the parts.

Invest in universal, high-quality pre-K to boost educational attainment and earnings later in life.

Although some studies have found that the benefits of pre-K in raising test scores can fade later in elementary school, what policymakers and the public should really care about is the impact of pre-K on outcomes later in life. The research here is positive and robust: high-quality preschool programs boost educational attainment and earnings. For example, Boston's preschool program increases on-time college enrollment by over 18 percent, with gains concentrated among low- and middle-income students.

Preschool programs can also improve labor force participation among parents. The universal preschool program for children ages 3 and 4 in Washington, DC, for instance, has increased the labor force participation rates of mothers of young children by 10 percentage points. Higher workforce attachment helps bring in additional family income, and this income can further increase student achievement.

The Biden administration's American Families Plan proposes universal pre-K for 3- and 4-year-olds nationwide, with federal funds supporting low student-teacher ratios, coaching, and higher salaries for teachers. However, operational and logistics details are few and passage remains uncertain. In the meantime, many communities and states—from liberal Boston to conservative Oklahoma—already invest in universal and well-regarded pre-K programs. These programs can serve as models for curricular development, integration with K–12 schools, program financing, and other design features. In Boston, for example, the pre-K curriculum is tightly integrated with the curriculum that follows in grades K–2.

No single solution is sufficient, and mitigating unequal educational outcomes requires effort at every step of the way.

Provide structured tutoring for K–12 students to help individuals facing educational gaps catch up to peers.

In-person school closures, the switch to remote or hybrid learning, and other disruptions caused by the pandemic have slowed learning, especially among low-income, Black, and Hispanic students, who already faced gaps before COVID-19. To help students catch up, structured tutoring represents a highly effective strategy. Even without using certified teachers, one-on-one or two-on-one student-tutor interactions can accelerate learning beyond the instruction delivered in larger class settings. For example, a math tutoring program pioneered in Chicago involves daily 45-minute two-on-one sessions with high school students and trained tutors who regularly consult with students' teachers and families. At a cost of roughly $4,000 per student per year—about one-third the cost of per-person school spending—this tutoring increased test scores by about 10 percentiles, a bump sufficiently large to raise predicted adult earnings by over $1,000 per year, or enough for the program to pay for itself two to six times over. The same program, run by the nonprofit Saga Education, has since spread to Broward County (Florida) Public Schools with philanthropic support. The larger scale means the program is expected to cost half as much, making it replicable in more places, especially with federal seed money. Additionally, while some school districts have long partnered with organizations such as Communities in Schools to provide students and their families with tutoring and caseworker services, some states are further innovating with summer or after-school programs specifically designed to make up ground lost in the pandemic. This experimentation will be more useful if evaluations determine which strategies are successful for whom, especially when measured against cost.

Develop career and college exploration curricula in the K–12 system to encourage students to continue their education beyond high school.

A crucial—and leaky—stage of the education-to-career pipeline is career exploration in middle and high school, during which students can contemplate different paths and begin to understand which ones might be right for them. Some of these paths may involve attending and graduating from a four-year college, but some may not, while still leading to postsecondary education and a good job. High school career academies, which combine academic and job-related exploration with local employers in small learning communities, demonstrably increase adult earnings, while encouraging students to continue education past high school. The P-Tech model of technical education is quite similar in scope and effectiveness. Both can and should be expanded into more high schools and represent a powerful use of one-time funds for start-up costs, as ongoing expenses can draw from existing educational expenditures and business community support. These successful models can thus bring needed internship and workforce experience to more students (see page 7).

Another inexpensive investment at the high school level is the expansion of dual enrollment programs that allow students to simultaneously earn high school and college credit. More accessible than traditional Advanced Placement and International Baccalaureate programs, dual enrollment can take the form of state-sanctioned early/middle college toward a technical credential or more flexible partnerships between districts and nearby public colleges. Such programs can increase postsecondary credit and degree attainment and provide needed funding for the hard-hit and always underresourced community college sector. To be successful, states need to establish clear rules on articulation, credit transfer, and how and where instruction is delivered. Where possible, we advocate making program rules as simple as possible and allowing instruction at high schools. Improving accessibility can help shrink the wide racial gaps in existing college-credit programs and allow high schoolers from all racial and income groups to earn college credit and save money.

To generate larger increases in employment and earnings, place-based scholarships should be used in conjunction with job development strategies and broader economic development plans.

Cultivate place-based scholarship programs for tuition-free college to increase credential attainment.

Place-based scholarship programs can significantly increase credential attainment, whether they provide first-dollar money (before other aid) at four-year and two-year colleges, like the Kalamazoo Promise, or last-dollar money (after other aid) at two-year colleges, like Knox Achieves, the forerunner to the Tennessee Promise. They even raise employment and earnings (see page 9). Still, this impact is not a guarantee. A tremendous variety of programs exists across the 200-plus communities, and nearly 20 states now providing a tuition-free path to college for at least some of their residents. The Biden administration's proposal to make two years of community college tuition-free to all Americans without college degrees (including adults), if it is enacted, would almost certainly add more variation as it interacts with existing programs. Indeed, research has provided several lessons to maximize impact for new and expanding programs.

First, to reach as many students as possible and change family and community attitudes toward college, a "Promise" program must be simple, easy to understand, and close to universal in reach. Although requirements for need or merit may seem to target aid toward "deserving" students, these can close the door to many students who stand to benefit. Experience and polling data suggest that such requirements aren't necessary to win stakeholder approval, especially for programs motivated by workforce preparation. The Tennessee Promise has attracted bipartisan support and strong student engagement while serving many first-generation and low-income students. The Rhode Island Promise has led to a doubling of enrollment at the state's community colleges, with even stronger gains for students of color, and sharp improvements in graduation rates.

Second, paying for tuition helps, but it's often not enough. Many students need additional coaching and help navigating the often-labyrinthine American higher education system. Increasing funding for student supports within colleges lifts degree attainment, but per-pupil expenditures at public universities and colleges today are more than 20 percent below what they were 20 years ago. Maintenance of state support, as the Biden plan calls for, is a minimum, but increased investment would almost certainly yield more degrees. Coaching and mentoring can also come from the community—ideally, from individuals who have had similar cultural experiences as the students. Such mentorship programs, for example, are part of the Tennessee Promise and Say Yes Buffalo models.

Third, scholarship programs need tighter integration with further education pathways, apprenticeships, and career preparation. The message of "you can go to college" or even "just go to college and it will work out" is naïve and unfair to students who can't afford to discover that their college credits don't transfer toward a bachelor's degree or don't have the family resources to spend a few years figuring out their careers. States can help by implementing simple and clear articulation agreements that allow credits from any public college or university in the state to transfer to any other public college or university in the state. Seamless credit transfers increase bachelor's degree attainment and can save students and their families a lot of money. Involvement from the business community can also leverage the power of tuition-free college into good jobs. This is best done locally, both because it promotes economic and community development and because many alumni already stay relatively close to their alma maters. Specifically, community colleges should partner with high-wage local employers looking for talent; these employers could also offer technical input on curricula to ensure alignment with their needs. While employers have long provided summer internships for college students, the influx of new students from a free-tuition program means that additional care should be taken by both businesses and colleges to ensure these work experiences equitably reach all students.

Overhaul adult education programs to improve alignment between employer needs and trainee skills.

COVID-19 will likely accelerate changes in the skills demanded by employers, with shifts toward health care, information technology, and logistics and away from central cities. To meet this evolving demand, some workers will need to update their skills and retrain, and this group will disproportionately include those who do not have bachelor's degrees.

Tennessee and Michigan are early leaders in expanding the free-tuition college idea to working adults, in both cases with bipartisan support. Tennessee Reconnect predates the pandemic, having begun in 2018, and received some 42,000 applicants in its first year. About 44 percent of applicants enrolled at an eligible two-year college and received last-dollar funds (awarded after Pell grants are applied). Like the Tennessee Promise, Tennessee

High-Leverage Practices for College and Career Readiness

by Jennifer Iriti

Project-based learning. Internships. Mentoring and apprenticeships. Researchers have found that each of these factors helps prepare K–12 students for eventual career success. However, these pedagogical practices are distributed unevenly, too often reaching only higher-income students or school programs focused exclusively on the trades. Greater awareness of the effectiveness of these practices and closer alignment with local businesses can make these career-enhancing opportunities more inclusive, reaching low-income students across all career sectors.

The approaches vary in focus, structure, and implementation, but they typically share some common elements—specifically, they

- immerse students in real-world problems, scenarios, and experiences;
- increase students' control over their learning;
- build content- and career-focused relationships with peers, teachers, and professionals in the field; and
- structure student experiences in small collaborative groups or pairs.

When implemented well, research shows that these approaches produce several benefits:

- increased long-term retention of content
- increased problem-solving and collaboration skills
- improved attitudes toward learning
- greater awareness of career interests and steps needed to achieve goals.

City Charter High School in Pittsburgh, Pennsylvania, illustrates how these learning investments can operate in a school serving predominantly low-income students. More than two-thirds of City Charter's students come from low-income households. The school has a comprehensive workforce readiness curriculum that culminates with a universal 11th grade internship experience and an individualized transition plan. The internship component draws on relationships the school has built with over 130 Pittsburgh-area businesses to place roughly the same number of students each year in highly structured real-world experiences matched to their interests. Students and their families are introduced to the concept of internships at 9th grade orientation, after which students complete a career survey and a "dream board." These two pieces of information are then used during weekly career literacy classes to focus their exploration and skill development. In the lead-up to the internship experience, students learn about what to expect in the workplace, time management skills, work ethic, certifications in Microsoft and Adobe, computer literacy, financial literacy, and résumé development and mock interview experiences. In 11th grade, students are matched with an internship site aligned with their evolving career interests so that they can put their skills into practice. The latest publicly available data for City High indicates high rates of retention of internship providers from one year to the next, high satisfaction of participating mentors, and 100 percent placement of graduates in either four-year or two-year colleges, the military, apprenticeship, or full employment at graduation.

Jennifer Iriti is a research scientist at the Learning Research and Development Center at the University of Pittsburgh.

Photo courtesy of Fran Dwight

Reconnect is financed through lottery proceeds. In Michigan, Governor Gretchen Whitmer, a Democrat, used federal CARES Act funding in the spring of 2020 to create a time-limited, tuition-free college program for essential workers without college degrees. Futures for Frontliners received approximately 120,000 applications, about 80,000 of which were approved. This low-cost program provided a platform for creating a more expansive tuition-free community college benefit for all adults without college degrees called Michigan Reconnect, funded by a Republican-dominated legislature. As in Tennessee, a simple structure and energetic outreach have led application numbers to outpace expectations.

However, skeptics have rightfully pointed out that neither adult learners nor community colleges have stellar track records in successful degree completion. To make success more likely—and as other states contemplate replicating the Reconnect programs—we again offer research-driven best practices. First, although both states provide career portal websites, much more needs to be done to proactively guide learners toward programs that are not only good personal fits but that also prepare them for high-wage occupations. Much of the discussion above on tighter alignment between education providers and employers applies even more strongly for adult learners. Tools to help workers transitioning out of the service industry for something better, such as the opportunity occupations developed by the Federal Reserve Banks in Cleveland, Atlanta, and Philadelphia, can be made even more salient by coaches and navigators who help students understand their options.

Second, studies and interviews with adult learners overwhelmingly indicate these students need access to courses, advising, and support services outside of normal business hours, as many have children, work full time, or both. Unfortunately, community colleges seldom have had the resources to expand the availability of their offerings. Funding to provide them—whether from the federal, state, or local levels—will be at least as important as paying for adult learners' tuition.

Such supports for adult learners can be supplemented by other providers, such as through neighborhood hubs run by local workforce agencies. These hubs are located within trusted neighborhood institutions, like community centers, and help facilitate employment and social services to underserved groups. In addition to providing referrals to specific training opportunities, staff at hubs could help with transportation, childcare coordination (see Chapter 4), and assistance with enrollment in other safety

Do Promise Programs Improve Workforce Outcomes?

Place-based scholarships that provide a tuition-free path to college for many youth in the community—often called Promise programs—have surged in popularity. Such programs now exist in more than 200 communities and in nearly 20 states. Although these programs vary in their structure, a growing body of research has found they can change enrollment and behavior at K–12 school districts, entice more students into college, shift the institutions they attend, and increase degree completion. Recent research suggests Promise programs can reduce student loan debt, stabilize the housing market, and reduce out-migration. Until recently, though, the direct impact of Promise programs on the likelihood of employment and income for scholarship recipients remained unexplored.

With a grant from Strada Education Network, the Upjohn Institute collaborated with researchers in three other communities to examine the impact of place-based scholarships on students' workforce outcomes. Researchers presented findings from two of these places in April 2021, and additional findings are expected soon. Here is what we have learned thus far.

The Kalamazoo Promise, one of the most generous place-based scholarships, has had mixed effects on workforce outcomes. Previous research showed that the program increased degree attainment within six years of high school graduation, boosting the share of students with bachelor's degrees from about 30 to 38 percent. Higher degrees are associated with higher employment and earnings, on average, but this new research, which relied on linking student data to Michigan Unemployment Insurance records, found the Kalamazoo Promise had little impact on being employed in the state 7–10 years after high school graduation. Similarly, the program only modestly increased average earnings at that horizon, although it did appear to increase the chance students earned at least $24,000 per year. The Kalamazoo Promise also increased the likelihood that alumni lived within 20 miles of Kalamazoo—from 84 percent to 95 percent—a positive sign for economic development. Nonetheless, interviews with students who had left the state indicated these location decisions were heavily influenced by the availability of better job opportunities outside Michigan. These interview findings, along with lackluster earnings impacts, underscore the importance of local job opportunities if place-based scholarships are truly to serve as engines of local workforce and economic development.

Somewhat rosier findings come from an evaluation of Knox Achieves, a place-based scholarship program in Knoxville that served as the precursor for the Tennessee Promise. Despite a less generous program structure and smaller degree attainment impacts than the Kalamazoo program, Knox Achieves produced larger earnings increases by age 25. The earnings boost is driven by both greater likelihood of individuals working in state and modestly higher earnings for those who are working.

The studies of the two programs suggest that place-based scholarships do not guarantee large positive economic outcomes for either individuals or communities. Much depends on the local context and program structure. It may also take longer to observe workforce impacts for four-year college programs than two-year college programs.

For place-based scholarships to have larger increases in employment and earnings, they should be used in conjunction with job development strategies and broader economic development plans, as we describe in Chapter 3.

TN Achieves
Changing Lives, Transforming Communities

THE KALAMAZOO PROMISE

net programs—all of which are frequently cited as barriers to completion.

Federal funding can help pay for pieces of this agenda. Indeed, the proposed American Families Plan contains several provisions in support of many of the strategies we call for, albeit at a high level without specific legislative language. Ultimately, however, what is needed is a highly integrated education and training system that smoothly connects every learning stage. Because this requires cooperation and coordination with local providers and employers, it can be developed only at the local level. We therefore encourage federal funding to adopt a partial block grant approach that would incentivize evidence-backed approaches (as above) but would still provide states and communities some flexibility to invest in the sections of their pipeline that need the most shoring up. Of course, as budgets recover, states and localities should begin these investments with their own funds, too.

However, even the highest-quality education and training system cannot function well without adequate labor demand, and this is especially true in communities with low employment rates. To address job needs, particularly in distressed communities, we also need cost-effective economic development policies, to which we turn in our next chapter.

Chapter 3: State and Local Economic Development

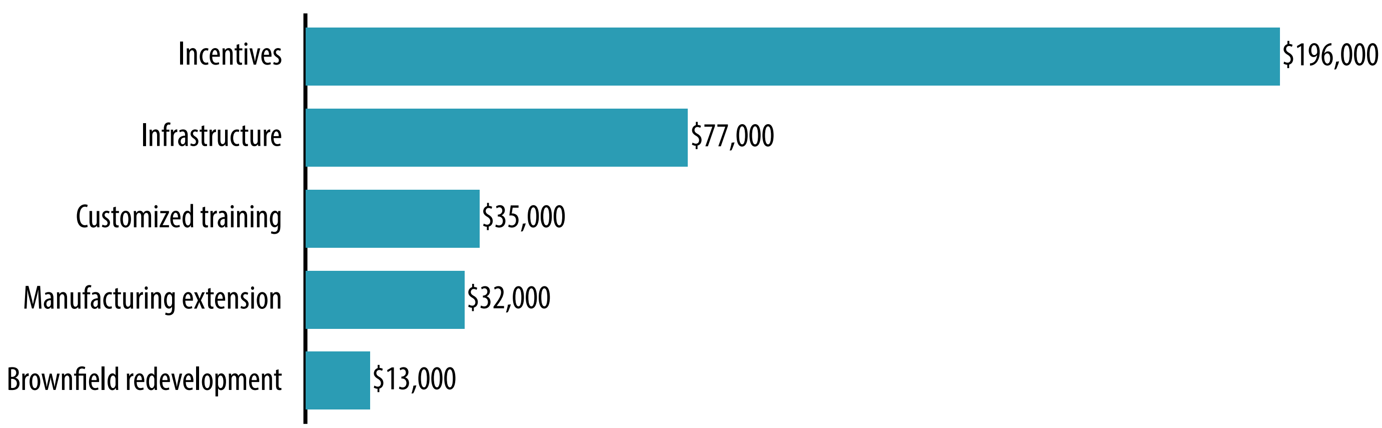
A high-quality workforce is perhaps the best incentive communities can offer businesses. States, regions, and cities with an ample supply of trained and productive workers are the places where businesses will choose to locate or expand. These choices can set in motion a virtuous circle of business investment that creates more good jobs, making it easier for residents—including those who are under- or unemployed—to find employment.

Investing in education and training is one way to spark this positive cycle, but it is not the only way. Assisting businesses directly can also promote good jobs. States and communities can offer individual companies tax breaks, other monetary incentives, or various services customized to a company's needs. These direct business incentives will make a local area more attractive as a place to do business, increasing the demand for labor. To the extent that these new jobs are decent and local residents fill them, earnings and worker well-being can rise.

State and local economic development policies have long needed reform, however, as we have argued in previous reports. Existing strategies have largely failed to target distressed local labor markets, even though job creation in such areas generates the greatest social benefits. Instead, states often subsidize jobs without regard to worker needs, and fast-growing states deploy these subsidies as much as slow-growing states that need them more.

Moreover, state and local governments have failed to emphasize the economic development policies that are most cost-effective. Most economic development resources go to long-term tax incentives that cost around $200,000 per job created. Economic development programs that provide services to business offer greater return on investment. These might include improving infrastructure like access roads and utilities; zoning and preparing land for easier business creation and growth, such as through brownfield redevelopment and research parks; programs that provide customized skills training for new hires and incumbent workers; and advising programs to help startups grow and support small businesses in upgrading their technology and finding new markets. Such business services typically cost less than $60,000 per job created, and sometimes much less (see figure below).

Present-value cost per job created of government growth-promotion policies



Source: Author's calculations. See: Bartik, Timothy J. 2020. "Using Place-Based Jobs Policies to Help Distressed Communities". Journal of Economic Perspectives (Summer): 99-127.

Yet, for state and local economic developers, appearances can often matter more than substance. Voters like jobs and tend to re-elect governors and mayors who hand out large incentives to big companies, even when there is no clear evidence that these incentives make a difference in where a business chooses to locate. In addition to their high per-job costs, long-term tax incentives can evade annual state budgeting processes and are often left uncapped by governments; both these features have contributed to their growth. Voters and many policymakers do not always understand the full costs of these actions. During a short political cycle, a big tax incentive package for a large company can generate irresistible media headlines and ribbon-cutting opportunities, but there is no fanfare when it comes time to compare the promises to the results.

Genuinely boosting employment rates and earnings in distressed areas is harder than simply handing out incentives. It requires addressing an area's needs with a long-term plan that aligns the work of different local actors, such as business groups, public agencies and institutions, and local governments. This alignment is challenging, especially in distressed labor markets that may span several jurisdictions (even counties) and that may lack strong, unified leadership. And any long-term plan must be tailored to an area's unique economic development needs; distressed communities are different from each other and there is no single solution for all. To boost local job growth, some areas will need more infrastructure, others should strengthen their local manufacturing sector, and still others should develop high-quality business sites. Leaders must grapple with which specific industry clusters to target and over what time frame. Linking the newly created jobs with existing residents will depend on local transportation networks, job information, and training opportunities. Finally, any local plan will need to adopt a long-term perspective. Creating more and better jobs for residents cannot be accomplished overnight, but ongoing dialogue that engages multiple stakeholders is a necessary step.

The COVID-19 pandemic exacerbated many workforce problems—disproportionately harming small businesses, lower-wage workers, and people of color—while intensifying the need for reform. Fortunately, and unlike the period after the Great Recession, large-scale federal economic stimulus, including ample intergovernmental aid, along with smaller-than-expected declines in spending and tax revenue, have left state and local fiscal capacity in much better shape than initially predicted. Still, the long-term fiscal outlook in many state and local areas remains cloudy. For distressed areas in particular, it is not clear what budgets will look like when the adrenaline of the American Rescue Plan runs out.

The extreme nature of the COVID-19 crisis in many regions may increase pressure on state and local policymakers to take bolder and more innovative steps to alleviate underlying structural economic distress. And federal funds, while they are available, can be leveraged to make the deeper changes that state budgets rarely permit. To reach a more inclusive regional recovery, the following types of policies should be considered.

A high-quality workforce is perhaps the best incentive communities can offer businesses.

Prioritize assistance toward existing, locally owned small businesses to strengthen them, and promote the creation of new businesses to replace those that were lost.

Federal assistance, most notably through the Payroll Protection Plan, missed many smaller, locally owned businesses that were and still are most in need of aid. With one-time federal or state dollars, many communities could enact long-term low-interest loan programs for their small businesses—a local version of a similar proposal from the Economic Innovation Group, but with the advantage of local outreach and oversight through community development financial institutions and other grassroots organizations to promote inclusiveness. The State Small Business Credit Initiative, already enacted as part of the American Rescue Plan, could provide additional funding to increase credit availability for these businesses. With additional funds, small business development centers and incubators could expand services to provide guidance and advice to small businesses on sourcing their materials and growing their markets. Such efforts would strengthen small businesses that have survived but taken a financial beating while promoting the creation of new businesses to replace those that were lost.

Target economic development to distressed local labor markets to create jobs for local residents.

The benefits of local job creation are nearly four times as large in areas that have fewer of their residents employed. For every 100 jobs created in a booming labor market, 14 of those jobs will go to local residents versus in-migrants; in a distressed local labor market, 52 of the 100 jobs will go to local residents. The reason is that distressed areas have more non-employed residents available to fill jobs, while job creation in booming areas tends to bring in people from outside the community. While this in-migration can be valuable, it is not as effective in helping create jobs for those who are not employed. (We emphasize that local labor markets are not neighborhoods but rather larger areas over which people commute for jobs. Within these areas, neighborhood residents tend to benefit even if jobs are created somewhere else because of spillover job demand.)

We recommend that distressed local labor markets be targeted through federal block grants awarded to a consortium of local governments that are part of the market. These block grants could fund some of the business services mentioned above. We calculate that over a 10-year period, an annual grant of less than $20 billion nationally would be sufficient to cut in half the gap in employment rates between distressed areas and the national average. For context, this annual cost is less than what the federal government spent on COVID relief grants directly to the state of New York (not counting money to other local jurisdictions, individuals, or businesses).

With only slightly greater outlays, federal block grants could also be awarded to local governments to help residents of high-need neighborhoods gain greater access to jobs. Neighborhood residents could be helped by improving public transit, creating neighborhood job training service centers, or assisting small businesses that anchor the area, including those operated by minority business owners.

Creating more and better jobs for residents cannot be accomplished overnight, and ongoing dialogue that engages multiple stakeholders is a necessary step.

These federal block grants could be supplemented with funding from states, which are better positioned to leverage existing industry clusters and make them more competitive. (The Carolina Textile District featured on page 15 is a prime example of this strategy in action.) Indeed, while the federal grants would allow for greater impacts, states could and should begin this strategy with their own funds by cutting back on less cost-effective and untargeted tax incentives. Currently, state governments spend around $34 billion annually on tax incentives, with local governments contributing another $13 billion. Cutting such state incentives in half would be sufficient to fully fund a targeted effort to develop better public services to boost business job growth in distressed rural and urban areas. Pennsylvania's Lehigh Valley offers a case study of this strategy in action, in which local and state funds were allocated to enhance land quality and offer worker training.

Beyond federal or state funding, local areas can and should seek to develop their own initiatives. This will require mobilizing resources from local government, institutions, businesses, and philanthropy to advance the area's economy. Communities, however, need to be cognizant of national economic trends and how they can realistically respond. The ongoing implications of COVID-19 will likely put a premium on investing in health-related research, information technology, and manufacturing, but other disruptions are also possible. Addressing these changes may require helping existing businesses adapt to meet them. The Carolina Textile District provides one example, as some textile firms shifted into manufacturing personal protective equipment. Another example comes from Grand Rapids, Michigan, where manufacturing extension services helped some auto suppliers pivot into making medical equipment. Even if these changes are only temporary, the experience of adaptation will almost certainly help the businesses become resilient in the future.

The pandemic will likely also accelerate trends for remote work and increase the importance of broadband access and teleworking software. Providing products and services to cater to this demand—which could include everything from ergonomic home office furniture to more restaurants in the suburbs—is one potential growth area.

Some smaller communities are already working to attract firms and workers who desire lower living costs and more space—if they have sufficient amenities and infrastructure. While the South and Mountain states have led in this respect largely on account of their climate, the Midwest remains less expensive and often has better transportation infrastructure.

In evaluating such remote work attraction efforts, local communities should ask hard questions about whether such attraction has sufficient spillover benefits for the community's existing residents to justify these programs' costs. Attracting more highly paid, highly educated workers can boost job growth and raise local productivity, wages, and quality of life for all residents, especially if the attraction strategy is based on better infrastructure, greater amenities, or place-based scholarships. However, if the strategy is offering cash or gifts to attract remote workers—as some communities have done—broader benefits are uncertain and depend on whether the gifts sufficiently change migrants' location decisions and the spillover benefits from new migrants, the magnitudes for both of which are unknown.

Broaden stakeholder involvement in economic development to improve transparency, accountability, and diversity of initiatives.

As we emphasize in our concluding chapter, a bigger tent would not only be more democratic, it could also lead to improved coordination with local training and education efforts. And expanded stakeholder involvement could identify specific support services that communities need to ensure residents are qualified and able to take new jobs, including the availability of high-quality childcare and affordable housing. In the next chapter, we address how these critical services can amplify the job creation effects of the policies discussed above.

Photo courtesy of The Democracy Collaborative

Carolina Textile District: Threading the Needle for Sustainable Economic Growth

by Nichola Lowe and Tara Vinodrai

When COVID-19 erupted in 2020, the Carolina Textile District (CTD) pivoted. A few months into the pandemic, apparel makers in the Morganton, North Carolina–based cooperative reoriented production to support local health care and educational institutions, making thousands of disposable masks, gowns, and fabric tents to protect frontline workers and the communities they serve. This quick-thinking response was not the action of a single company or even a single board, but of dozens of small firms, some worker-owned, that constitute a distributed network of small manufacturers that span rural towns and communities throughout the U.S. South.

CAROLINA TEXTILE DISTRICT
POWERED BY TIC
COLLABORATING • GROWING • THRIVING

The CTD was launched in 2013 after a series of informal exchanges between practitioners at North Carolina's Manufacturing Solution Center (a state-funded manufacturing support organization) and a worker-owned cooperative called Opportunity Threads. The cooperative had been growing as young clothing designers sought to contract with manufacturers with high ethical and environmental production standards. At the same time, the Manufacturing Solution Center was receiving requests to assist like-minded designers seeking to understand geographically dispersed supply chains. The CTD, a nonprofit organization with a staff of textile industry experts, was thus born at the design-manufacturing interface.

Using an online screening process, CTD assigns designers to workshops and webinar courses based on their level of business preparation and knowledge, helping them shore up their business plans or develop more stable financing options. Once designers are ready, CTD staff broker connections between designers and manufacturing members, ensuring their matchmaking reflects mutual interest and available capacity.

Beyond acting as an intermediary, CTD helps demonstrate business demand from designers for manufacturers who adopt a "high-road" employer approach that treats workers well and is environmentally sustainable; in so doing, CTD promotes manufacturing jobs that are family-sustaining and pay living wages. The organization further helps manufacturers along in the process by sponsoring networking events, providing technical assistance for the adoption of lean manufacturing principles to reduce costs, coordinating training for both managers and frontline workers, and assisting manufacturing owners with succession planning services and the possibility of employee ownership.

The CTD shows one way "place-sensitive" initiatives can extend economic opportunity through regionally based industries and businesses, improving access to quality jobs within them. It showcases the need for place-connecting economic development strategies that rejuvenate an area's traditional industries by transforming shared challenges into mutually supporting development opportunities that span jurisdictional boundaries. This strategy is replicable in numerous legacy manufacturing clusters ranging from furniture making to specialized glass and metal production to food processing. Moreover, it could also be applied in other industries that have seen employment declines, including agriculture, by leveraging expertise to inform urban-based agricultural and food security initiatives.

Scaling such efforts requires recognizing and reinforcing common experiences and sources of shared vulnerability across geographic—and sometimes cultural—divides. But when done successfully, it can further inspire experimentation and cooperation that lead to more workers with good jobs.

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Chapter 4: Childcare and Housing: Building the Bedrock

Education, job training, and economic development do not exist in a vacuum. Community resources in childcare and housing are essential. These features are not just part of a community's quality of life—the amenities that attract and retain residents and employers—they are also necessary for many people to find and keep good jobs.

This chapter highlights several promising community strategies to improve childcare and housing. Some call for up-front investments while others cost less but require community members to work together in new ways. The recent availability of COVID-19 relief and recovery funds suggests that both sets of strategies may be within reach of states and municipalities.

Childcare

A robust system of early childhood resources is essential for a thriving community and well worth the investment. Affordable childcare both enables parents to participate in the workforce, and, when of sufficiently high quality, promotes kindergarten readiness, K–12 success, and support for families along the life course. States and communities alike have innovated in this domain. As already mentioned, some states, such as Georgia and Oklahoma, have committed to providing universal high-quality pre-K to all children. Some communities have gone further in making broader early childcare investments beyond pre-K. Kent County, Michigan, home to Grand Rapids, passed a bond issue in 2018 to create First Steps Kent, a revenue source for a variety of early childhood service providers.

Recently passed federal legislation will likely bolster these state and community efforts on childcare and education. The American Rescue Plan Act enacts more generous and flexible Child Tax Credits, paid to families monthly rather than as a lump sum at tax time, and could substantially reduce the child poverty rate. While these cash payments can certainly be used for childcare, the law also expands and makes refundable the Child and Dependent Care Credit, a direct subsidy on childcare spending. Although the law expands both credits only for 2021, research shows that making the second credit permanent would notably expand access to single parents, Blacks, and Hispanics, groups who often are in greatest need of childcare support. Beyond the credits, the plan also earmarks $39 billion in funding for early childhood care providers, many of whom were severely affected by the pandemic. Taken together, the law's provisions should strengthen the labor market both by helping parents work and creating more childcare jobs.

Establish high-quality standards for early childhood education programs.

However, in the absence of quality control, the sudden flow of resources into early childhood education could lead to a proliferation of low-quality care. Hence, a first step for communities seeking to strengthen their early childhood education sectors is to establish and agree upon quality standards and availability. The National Institute for Early Education Research ranks statewide preschool initiatives annually according to well-defined criteria relating to funding, class size, teacher qualifications, and others; most states also maintain Quality Rating and Improvement Systems (QRIS) that contain childcare providers' quality ratings. Nonetheless, states—and even more so local communities—face different priorities and needs, and no one quality system will fit all. Localities that want to provide comprehensive early childhood education coverage must thus align around their own needs, balancing availability and quality. Convening organizations, like KC Ready 4s in Kalamazoo County or First Steps in Kent County, help bring multiple partners to the table to generate coherent community-wide strategies. For example, KC Ready 4s has helped create a single unified application form for Head Start, state-funded pre-K programs, and private pre-K providers; it also facilitates joint trainings for both pre-K teachers and pre-K supervisors and leaders.

Affordable childcare enables parents to participate in the workforce while setting their children up for success in school and later in life.

Compensate childcare workers in line with the social benefits they provide.

Because of the federal support discussed above, balancing availability and quality may be more feasible than in the past. One approach worth exploring is increasing pay for childcare workers. Low wages that often place workers below the poverty line, along with high rates of turnover, make hiring and retention a challenge for providers and limit the number of slots for children. Given the social benefits high-quality early childhood care provides, this arrangement is both inequitable and inefficient. Tying wage compensation (and grants) to programs based on their rated quality has been successful in increasing the number of childcare workers and decreasing turnover. Administering such programs at the local level could thus improve childcare quality while supplementing the income of poorly compensated childcare workers. Other, complementary approaches include expanding childcare availability in rural areas and offering care during nonstandard work hours.

Consult with parents and providers to build childcare systems that fit community needs.

Local leaders should consult with parents and childcare providers to assess and prioritize the community's greatest needs. Is the most pressing issue a lack of providers in certain neighborhoods? If so, communities might consider subsidizing providers to enter those neighborhoods and facilitate training to local residents for childcare work. Are there sufficient childcare slots on weekends or evenings when many parents work, or do more licensed workers need to be trained at a local community college or through an apprenticeship program? By understanding where gaps need to be filled, localities can best take advantage of new funds to benefit stakeholders.

Zoning reforms have a better chance of succeeding when advocates show all the ways that housing policy affects an area, rather than focusing only on prices or affordability.

Housing

Housing is another area where communities can align their resources to create an environment conducive to shared prosperity. Housing challenges vary across communities. In some urban settings where economic growth is strong, neighborhoods are gentrifying and prices (and property taxes) are rising faster than many existing residents can afford. In other settings, fear of gentrification may outweigh the reality.

In our own community of Kalamazoo, in a pattern that is typical of older small- and mid-sized cities, housing prices in the urban core remain lower than in the surrounding suburbs. Here, the chief housing challenges are a shortage of affordable rental housing, dilapidated housing stock that is expensive to renovate, and a persistent homeless population. Each constituency requires a different approach, and community members are divided over where resources should go. A housing millage passed by Kalamazoo County voters in 2020 illustrates the challenge:

some community members advocate using these resources to house the homeless, while others want to see more affordable housing built, rental assistance provided to low-income renters, or support for rehabilitation of existing housing stock. Aligning a community's housing resources is a challenge, even in a small city like Kalamazoo.

Reconsider single-family zoning regulations to permit more flexible housing options.

Diverse coalitions have recently produced a number of meaningful changes to restrictive single-family zoning regulations. Oregon legalized duplexes in all towns with over 10,000 residents, and supporters of the bill credit its success to advocates' ability to bring in organizations focused on issues of segregation and access to opportunity. Minneapolis used a similar strategy to pass a comparable bill within city limits, as did Berkeley. These stories suggest that zoning reforms have a better chance of success when advocates showcase all the ways that housing policy affects an urban area, rather than focusing only on prices or affordability. Expanding the tent of stakeholders could produce reforms to other areas of housing policy. For example, the Southcentral Michigan Planning Council (located at the Upjohn Institute) created a website to help local communities develop housing plans that consider multiple constituencies and goals, bringing the benefits of a larger housing supply into sharper relief.

Develop policies that help renters obtain stable housing.

In terms of the pandemic, many states enacted temporary moratoria on evictions (supplementing the federal moratorium in scope and coverage), but these have already begun to expire. Many renters are still far behind on their rent despite the aid from federal stimulus payments, leaving tenants in these places exposed (if they aren't already) to the threat of eviction. Massachusetts discovered in October 2020 that the expiration of its moratorium led to a spike in eviction filings. Rental assistance from community resources or state aid may help, but dedicated programs that help tenants pay off these debts and come to an accommodation with landlords may be needed to prevent widespread displacement and all the harm that eviction can cause to families and children.

For example, the Upjohn Institute has partnered with the city of Kalamazoo and the local branch of the United Way to establish a new program that provides security deposit assistance to low- and middle-income renters who do not typically qualify for subsidies. While an evaluation is still in progress, this program may prove to be especially cost-effective and scalable if much of the deposit money is ultimately returned to the funder. If so, other communities may be able to tap funds for similar purposes from the Emergency Rental Assistance Program (administered by the U.S. Treasury) to help find stable housing for renters who have been affected by the pandemic.

Broaden partnerships among community stakeholders to develop creative approaches to housing challenges.

As these examples show, strengthening a community's housing infrastructure requires not just funding (which may come from federal, state, or philanthropic sources), but also new relationships among diverse partners and creative approaches. Like the other sectors discussed in this report, the all-important question of how best to achieve alignment in pursuit of shared goals is something that must be tailored to individual communities and devised in line with its unique assets. This is true for housing and childcare, for training and education, and for economic development. In our concluding chapter, we turn to the political economy of how to design and implement the right local policies to create good jobs for all.

Photo courtesy of Fran Dwight

The Creamery: Churning New Partnerships to Meet Neighborhood Needs

The handsome brick-and-glass façade stands out on the main street that cuts through Kalamazoo's largest and most diverse neighborhood. Representing a collaboration among public and private entities committed to neighborhood revitalization, The Creamery—an affordable housing complex and childcare facility—also brings together the themes of Chapter 4.

The Creamery's 60,000-square-foot footprint occupies a corner that was home for 90 years to the Klover Gold Creamery. The company's vacant and deteriorated buildings were demolished in 2011 in an effort spearheaded by the Edison Neighborhood Association, the Local Initiatives Support Corporation, and the Kalamazoo County Land Bank as part of an ongoing effort to revitalize the commercial strip that runs through the neighborhood. The demolition was also a response to resident concerns about safety—neighborhood children regularly walk by the site as they cross from the Boys and Girls Club and an elementary school to a nearby branch of the public library.

It took almost a decade for The Creamery to become a reality. Local nonprofits held meetings with neighborhood residents to determine the kind of building that should occupy the site, then worked to develop a financing structure that would permit the private development of affordable rental units. Financing for The Creamery was complex and involved multiple partners, ranging from the private developer to the land bank, the city, and the state's housing and economic development agencies. Two local foundations helped reduce financing costs by buying bonds from the state housing development authority at a below-market rate, but the project was completed without any philanthropic contributions.

The facility is only the second LEED Platinum-certified building in the city. It contains 48 residential units, 39 of which are restricted to households with incomes at or below 80 percent of the county's median income. Of these, 15 are set aside for households earning below $16,500 a year. A true mixed-use building, it is also home to a childcare center operated by the community's YWCA. The childcare center will provide 24-hour drop-in and weekly childcare, making it the first in the city to serve second- and third-shift workers. There are also retail spaces available for rent, along with amenities like a rooftop terrace, energy-efficient utilities, a fitness room, and bike storage. Some of the building's electricity is provided by photovoltaic panels on the roof.

Job training for local residents is also a part of The Creamery project. In a community where there is a shortage of childcare workers, the YWCA has partnered with the county's childcare resource network and education system to offer residents the opportunity to enroll in Michigan's first nationally registered, multiple-employer, countywide early childhood apprenticeship program. Participants earn a Childcare Development Associate accreditation through an eight-month paid training program.

The Creamery will make only a tiny dent in the community's huge affordable housing needs, although the 2020 millage will generate over $6 million a year over eight years to help address housing needs for lower-income residents. Community leaders hope this project—an example of creative partnerships among residents, business, nonprofits, and state and local agencies—will become a model for how to use some of those funds.

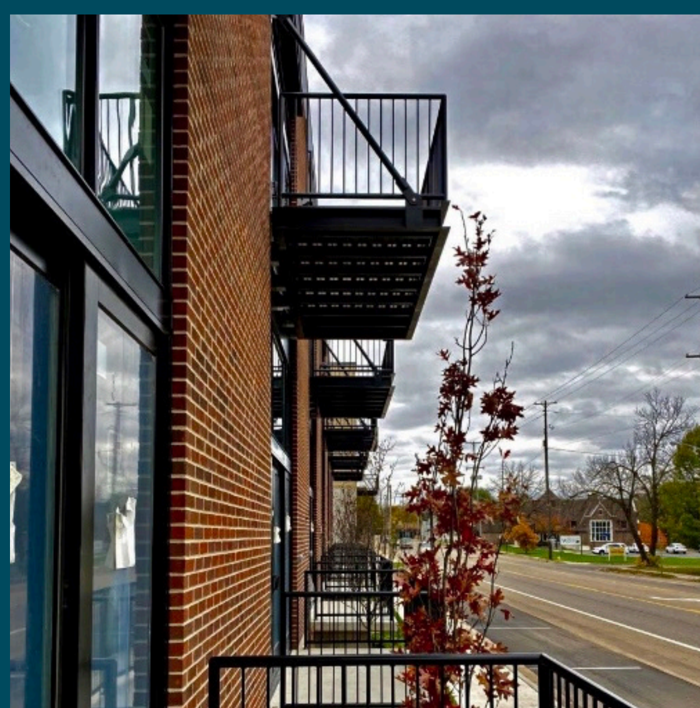

Photo courtesy of Byce & Associates, Inc.

Chapter 5: Organizing for Inclusive Local Prosperity

As we have emphasized, achieving inclusive local growth—growth that brings good jobs to all—requires awareness of the policies and institutions that affect the local labor market. From preschool and K–12 to postsecondary and continuing education, our training systems need to be strengthened and reformed to build more skills for all and at all ages. Economic development systems need to generate more good jobs—cost-effectively and inclusively—by providing services that help businesses get off the ground and expand. And both systems are more likely to succeed when workers have access to better childcare and housing.

Success for this agenda requires more than good ideas—it requires the right organizational structure and coordination to plan and implement them. Good planning and implementation require government agencies, community organizations, and local stakeholders to work well together and continuously improve their performance. Today, we are far from having such a system. Economic developers and workforce developers do not necessarily coordinate with each other. Transitions from one stage of education to the next can be bumpy and incomplete. And job trainers, educators, and economic developers too often see residents' needs for childcare and housing as someone else's problem to fix.

Part of the challenge is that local jurisdictions—whether for governments or community nonprofits—are seldom congruent with the geography of the broader labor market. Within such a local labor market, workflows are interconnected and can often span several counties. Enough commuting and shopping trips take place that demand and supply conditions in one neighborhood or town can ripple across workers and employers throughout the larger area. Yet governmental agencies and community organizations rarely exist at this regional level, or when they do exist, have little power. Modest trends in the sharing of public services across municipal jurisdictions, such as through regional 911 systems, have collided against concerns over local control and taxes, and deeper consolidation remains politically unpopular.

In addition to these jurisdictional issues, workforce development and economic development are often siloed by design. Workforce development programs frequently get their funding from federal and state grants that come with specific requirements and focus on short-term outcomes. Economic development programs are usually housed within private or quasi-public institutions that lack accountability or transparency, with little regulatory oversight, and can have goals that stretch years, if not decades, into the future. The separate funding sources and time horizons complicate alignment efforts and result in policies that respond poorly to local needs.

Still another challenge is that development organizations are insufficiently attuned to the needs of residents, particularly in neighborhoods that have the greatest problems. Economic developers are usually dominated by business interests seeking good infrastructure and access to talent regardless of where that talent comes from. Schools and workforce developers face constraints from the state and federal agencies that fund them, and these constraints, while well-intended in terms of providing oversight, often stifle innovation, agility, and long-term investments. Childcare and housing programs are somewhat better targeted, but they are under-resourced (even when provided partially by community nonprofits rather than government agencies), and these limits mean they do not necessarily reach the neighborhoods most in need.

Deliberate involvement of historically marginalized groups brings new perspectives and ideas to conversations around community development.

The poor alignment of these organizations has failed to move the needle for many residents in economically challenged areas, especially those with Black and Latino residents. But political will and agency to improve coordination may be growing. Greater attention to racial and economic justice in light of police violence and the inequalities laid bare by COVID-19 have led many communities to examine who has a seat at the table when it comes to workforce and economic development. Deliberate involvement of historically marginalized groups brings new perspectives and ideas to conversations around community development while also beginning to redress years of exclusion.

Design block grants to encourage coordination across jurisdictions and improve representation among neighborhood groups.

How best can the movement toward greater inclusion be leveraged to achieve better coordination and real results? Top-down solutions that preserve some local flexibility represent one approach. Federal or state block grants for economic and workforce development could require tighter integration across jurisdictions, greater neighborhood representation, and proposals that demonstrate how training programs and business support programs build upon each other. To make sure money is spent transparently and effectively, the block grants could also require regular evaluation of funded programs by third parties, encouraging local planners to improve or replace initiatives that are not meeting their goals.

Engage and encourage the involvement of underrepresented groups in economic and workforce development systems.

However, we believe that inclusive prosperity also needs bottom-up solutions. Local philanthropic and other grassroots organizations not only should have seats at the table in economic development and workforce development agencies, they should also help engage additional neighborhood resident groups to bring in more complete perspectives to inform the design of potential initiatives. This approach requires strong leadership and holistic thinking, but it can be incentivized by "race-to-the-top"-style competitive proposals, sponsored by governments or private foundations, that provide larger carrots than do block grants.

The approaches are not mutually exclusive and could even reinforce each other by sweetening the pot of money for communities able to craft inclusive plans reaching stakeholders that span the entire local labor market.

Favor proposals that demonstrate how workforce training and business support programs build upon each other.

Ultimately, inclusive local prosperity requires a combination of good ideas, a willingness to overcome organizational silos, and alignment between economic plans and residents' needs. We hope that this report, along with our previous reports, contribute to helping policymakers identify and make the concrete changes that are needed to ensure that "inclusive growth" is not just a buzzword but a reality in all local communities.

Policy Recommendations to Support Inclusive Growth

Education and workforce training

- Invest in universal, high-quality pre-K to boost educational attainment and earnings later in life.
- Provide structured tutoring for K–12 students to help individuals facing educational gaps catch up to peers.
- Develop career and college exploration curricula in the K–12 system to encourage students to continue their education beyond high school.
- Cultivate place-based scholarship programs for tuition-free college to increase credential attainment.
- Overhaul adult education programs to improve alignment between employer needs and worker skills.

State and local economic development

- Prioritize assistance toward existing, locally owned small businesses to strengthen them and promote the creation of new businesses to replace those that were lost.
- Target economic development to distressed local labor markets to create jobs for residents.
- Broaden stakeholder involvement in economic development to improve transparency, accountability, and diversity of initiatives.

Childcare and housing infrastructure

- Establish high-quality standards for early childhood education programs.
- Compensate childcare workers in line with the social benefits they provide.
- Consult with parents and providers to build childcare systems that fit community needs.
- Reconsider single-family zoning regulations to permit more flexible housing options.
- Develop policies that help renters obtain stable housing.
- Broaden partnerships among community stakeholders to develop creative approaches to housing challenges.

Best practices for policymakers

- Design block grants to encourage coordination across jurisdictions and improve representation among neighborhood groups.
- Favor proposals that demonstrate how workforce training and business support programs build upon each other.
- Engage and encourage the involvement of underrepresented groups in economic and workforce development systems.

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