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Expanding Economic Opportunity: Lessons from the Field

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Expanding Economic Opportunity: Lessons from the Field

**What can some successful local
programs teach us about how to
revitalize the economies of low income
communities and create more good jobs
for low income residents?**

Prepared for:
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Prepared by:
Carol Steinbach

Center for Community Change
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Foreword

In recent years, the U.S. economy has produced new job opportunities at an unprecedented rate; however, many of these jobs are not equally accessible to all Americans both in terms of geographic location and skill level. In the meantime, welfare reform has created new challenges for localities as State and local governments must help welfare recipients find jobs and move on to self-sufficiency. Some communities have met these challenges with innovative and successful strategies. The following four studies summarized in this report explore four strategies and 17 programs that have been shown to be successful in producing and maintaining job opportunities for low-income people:

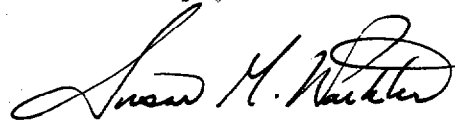
Making Connection: A Study of Employment Linkage Programs shows the efforts by some communities and local governments in using their fiscal and zoning powers to leverage job opportunities, to provide timely information about positions to candidates, and to refer job seekers to agencies and service providers who help screen, train, and place them.

Saving and Creating Good Jobs: A Study of Industrial Retention and Expansion Programs focuses on programs designed to help manufacturing firms already in a location stay and grow. Industrial retention and expansion strategies can be of special benefit to low-income people because these jobs can provide relatively high wages for people with limited education.

New Avenues into Jobs: Early Lessons from Nonprofit Temp Agencies and Employment Brokers explores temporary employment as a first step toward integrating low-income people into the world of work.

Strengthening Rural Economies: Programs that Target Promising Sectors of a Local Economy examines strategies that focus on nurturing businesses located near each other and share other common features.

These reports and related studies are available from the Department. They offer valuable lessons about local job development strategies that can be replicated and customized to meet local needs.



Susan M. Wachter
Assistant Secretary for Policy
Development and Research

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I. Introduction

What is the best way to revitalize the economy of poor communities? How can we ensure there are enough decent jobs for residents of low income areas?

Americans have grappled with these questions for decades. Many approaches have been tried – from launching community-owned enterprises to providing grand incentives to lure factories. There have been exciting success stories – and many failures. And even the best initiatives have rarely achieved the scale needed to turn around a poor community.

Amid all this experimentation, much is being learned about what can work and why. Too often, however, highly creative and valuable projects are so scattered and poorly evaluated that other organizations – including the federal government – can't glean their useful lessons.

To help close this information gap, Housing and Urban Development Department commissioned the Center for Community Change to undertake a series of reports in 1997-1998 to examine initiatives with real promise in generating jobs and opportunity for low income people – especially people with the greatest needs.

Four of those studies are summarized here. All four share a common element: each focuses on improving the ability of low income people to get decent jobs in the wider private economy, beyond their own neighborhoods.

- **Making Connections: A Study of Employment Linkage Programs.** This report examines three innovative programs that are successfully linking central city residents with jobs in the regional economy.
- **Saving and Creating Good Jobs: A Study of Industrial Retention and Expansion Programs.** This report highlights four programs that are helping local manufacturing businesses retain and create jobs and make them accessible to low income people.
- **Strengthening Rural Economies: Programs that Target Promising Sectors of a Local Economy.** This report analyzes a strategy known as sectoral development and explores four groups that are trying to strengthen specific sectors of their local economy with potential for creating jobs and opportunity for low income people.
- **New Avenues into Jobs: Early Lessons from Nonprofit Temp Agencies and Employment Brokers.** This report features six nonprofits which have used temporary employment to integrate low income people into the world of work.

The goal of this research is to highlight strategies which work and which benefit low income people on a substantial scale – and to stimulate others to adopt some of these excellent models. The Center also hopes the research will encourage government policies which further broaden the scale of successful initiatives.

Financial support for these studies came from the Office of Policy Development and Research of the US Department of Housing and Urban Development, the Pew Charitable Trusts and the Center for Community Change. These studies are available from HUD User at 1-800-245-2691.

These are exciting times for expanding economic opportunity

In many respects, the timing for this research could hardly be better.

Untapped Labor Markets. A booming national economy – generating record peacetime economic expansion and low unemployment nationwide – has created new demand for disadvantaged workers. Our central cities alone represent an available untapped labor market of 4 million to 5 million workers. Many businesses are looking anew at this labor pool so they can continue to grow without re-igniting inflation. In such a climate, initiatives that successfully link disadvantaged workers to the mainstream economy should be closely examined and replicated where appropriate.

Welfare reform. Legislation adopted in August 1996 dramatically changed the old welfare system. The new law limits the length of time able-bodied people can stay on welfare and requires adults to work and teens to stay in school as a condition of receiving benefits. States have broad leeway to design their own welfare programs. As a result of the reforms, hundreds of thousands of welfare recipients are entering the labor force, many for the first time. This has fueled greater demand for initiatives that successfully connect welfare recipients to jobs and opportunity.

Structural economic changes. The new global order inspired by major technological developments has caused a great deal of disruption. But it has opened new opportunities, too. The rapidly falling cost of computer technology, for example, has dramatically lowered the cost of starting a small business or becoming self-employed. As a result, new business formations in the US are at a record pace. The question is: how can we ensure that low income people can capitalize on this trend and gain good new jobs?

Breaking new ground: helping low income people benefit from private markets and regional economies

The initiatives profiled here rely primarily on the private marketplace to do the heavy lifting involved in creating jobs and businesses in a local economy. These programs try to help the private sector grow.

At the same time, they work to ensure that low income and low skilled people benefit from those expanding opportunities. Too often, poor people have reaped few, if any, of the advantages of a growing economy. Sometimes, they're worse off and more isolated as the divide between the poor and non-poor widens. These programs are reversing

that trend – but they need to expand and spread to more places to have a measurable impact and real scale.

The profiled programs are also breaking new ground in the way they look at community development. Traditional community development programs focus almost solely on trying to improve economic and social conditions in targeted neighborhoods where poor people live. Most of these initiatives, by contrast, target the broader regional economy. The objective of these programs is to find ways to connect low income residents to jobs and opportunities throughout a metropolitan area. The importance of this approach in today's economic environment can hardly be overstated.

What are the best programs teaching us?

What makes the good programs good? What ingredients lead to success? The four studies reveal 14 common qualities and characteristics of the best initiatives:

- They start with the principal goal of enlarging employment opportunities for low income and other disadvantaged people – but recognize the advantages of serving a somewhat broader target population.
- They involve community groups which represent the interests of low income people in making sure that low income people do, in fact, benefit from the program.
- They carefully analyze the sectors of their economy to see where there is most growth or other potential for retaining or expanding the number of appropriate jobs.
- They do not limit their thinking to jobs located within low income communities.
- They think scale. They focus their efforts so they can develop sufficient knowledge, capacity and relationships to craft interventions which will be effective. They connect to large and growing elements of the private sector economy so as to produce a big potential impact.
- They work on both economic development and workforce development issues concurrently, strengthening the demand for labor while helping people gain access to the information and assistance they need to get jobs.
- They take advantage of the jobs that already exist. They help save and improve these jobs, increase access to them and help disadvantaged people prepare for successful employment.
- They use every tool in the kit. They develop new programs, advocate for policy changes, build new alliances and partnerships (including with business), develop new resources and reallocate old ones.
- They network. They get many different organizations and people to work together to make local industries and regions more competitive, and connect residents with those outside their neighborhoods.

- They work bottom-up – even while understanding a top-down view of their local economy.
- They think long-term – but expect measurable results every day.
- They balance needs of the community, residents and businesses – and take a broad view of what constitutes successful outcomes.
- They secure public and private investment to help implement these ideas and approaches.
- They engage high quality staff and strive to be well managed and efficient.

This paper summarizes the research conducted and lessons learned from the four reports. Each section also includes a general description of the strategy being studied, overall results, highlights of each featured initiative, an exploration of why the programs were successful, and lessons and recommendations.

In addition to the studies summarized here, the Center for Community Change has completed other reports dealing with employment of low income people. These studies are available from the Center. Contact: Publications, CCC, 1000 Wisconsin Avenue, NW, Washington, DC 20007, 202-342-0567; www.communitychange.org. They include:

- *Developing A Public Policy Agenda on Jobs*, focusing on public policies that could improve job opportunities for low income people.
- *Linking Human Services and Economic Development*, which examines the potential of human services such as child care and foster care as a job source for low income people.
- *Estimating the Economic Impact of a Public Jobs Program*, looking at the economic impact of a major public investment in job creation.
- *Federal Revenue Policies that Work: A Blueprint for Job Creation to Support Welfare Reform*, which documents the need for more jobs for people leaving welfare and lays out ways to pay for a job creation initiative.
- *NFG Jobs Toolbox: A Funder's Guide to Jobs*, which provides background information and guidance to foundations and others interested in funding programs promoting economic development and greater access to good jobs.

II. Making Connections: A Study of Employment Linkage Programs

Everyone knows getting a job is a function not only of what you know – but whom you know. For inner city residents with poor contacts in the mainstream labor markets, finding a job can be especially hard. Linkage programs can be an effective tool for making the personal connections needed to create a level playing field for disadvantaged job seekers.

Although the best programs clearly give job seekers a much fairer shot at getting hired, the impact of linkage initiatives has seldom been gauged. The country knows little about how they work, what characteristics promote success, under what circumstances they are effective and what scale of benefits can be expected.

This report assesses employment linkage strategies, focusing on three programs with extensive histories:

- JobNet (Portland, OR)
- First Source (Berkeley, CA)
- Neighborhood Employment Network (Minneapolis, MN)

What are linkage programs?

The central goal of linkage programs is to place qualified workers from among underemployed populations in available jobs. Virtually all linkage programs share three common features. They use incentives and political leverage to bring employers to the table, provide timely information about jobs to job candidates, and refer job seekers to agencies and service providers who help screen, train and place them.

Linkage programs engage employers typically by offering them incentives – such as loans, tax abatements, zoning variances and land assembly – and/or by helping them locate quality workers. In return, employers give priority hiring consideration to local workers, often low income, who need those jobs. Employers make the hiring decisions, but the linkage program substantially determines the make-up of the candidate pool. Linkage arrangements may be codified in formal agreements or based on a mutually agreed upon candidate referral process for employers who voluntarily participate.

Most linkage programs serve people who live in neighborhoods that are cut off from the informal grapevine that employers use to recruit workers. Many give priority access to people who normally have a hard time even being considered by employers – including minorities. Good linkage programs also improve access to better paid jobs that can help people move out of poverty and up the income ladder.

The typical linkage referral network includes multiple job placement and training agencies, education institutions and service providers who prepare, assess and refer candidates for employment. The best programs provide information about more than just specific job openings. They also provide broader understanding of local labor markets, which workers employers consider the most capable trainees, what skills are

in hot demand, and what services are available to help prepare people for work and begin employment.

The profiled programs

Each program had a central goal of serving low income people – although in two programs, all residents, regardless of income, could participate. Whether the linkage with employers resulted from formal hiring agreements made in exchange for development incentives or through other means, all of the programs sought to engage and keep private companies involved by offering them high quality outreach, recruitment, screening and referral services. Marketing strategies varied, but the programs generally stressed how their services could save employers time and money.

1. JobNet

Background: Portland has the nation's oldest linkage program, dating from 1978. JobNet is administered from within the Portland Development Commission (PDC), a quasi-governmental agency that oversees the city's economic development programs.

Type of linkage: PDC uses economic development incentives to motivate firms to expand, remain in, or move to Portland – including tax abatements, relocation assistance and financing. Firms which benefit from incentives must agree to make available information on job openings in covered positions exclusively to JobNet. They must also consider hiring from the pool of candidates referred to them by JobNet.

Delivery system: JobNet relies on more than 200 agencies to recruit, screen and refer candidates to employers. Participating agencies include the state employment department, community groups, job training organizations, social service agencies, education institutions and churches throughout the Portland region.

Results. JobNet placed 5,123 job seekers from 1989 through mid-1996. The program linked 1,235 people to jobs in FY1994-95; 42 percent were minorities. The median per hour wage was \$8.75. The majority of jobs were full-time with benefits.

2. First Source

Background: Berkeley's Office of Economic Development (OED) created First Source in 1986. The initiative is now a division of the Health and Human Services Department.

Type of linkage: Whenever OED assists employers with permitting, financing, technical assistance or other incentives, it encourages or requires them to take part in First Source. One component of the program targets permanent jobs in a variety of sectors. Another focuses on construction jobs in new private development and publicly funded projects.

Delivery system: First Source candidates come primarily from a collaborative of 20 local job training and placement agencies. These providers recruit and prepare people with little or no skill or work experience.

Results. Since 1986, First Source has placed 2,344 residents in jobs, including 259 in FY 1995-1996. Minorities comprised 78 percent of placements, and homeless people made up 16 percent of the people placed in 1994. The median per hour wage was \$8.57; 73 percent of placements were full-time jobs.

3. Neighborhood Employment Network

Background: In 1984, Minneapolis both established a linkage program and launched NET -- a collaborative of community service providers to find and prepare job candidates. Over the years, the NET collaborative has grown and strengthened its relationships with employers and low income residents. The 11 members of the NET collaborative are known as NET affiliates.

Type of linkage: Initially, the city required employers who received public redevelopment assistance to go through NET to hire entry-level employees. Today, employers primarily work with NET affiliates because they value NET's help in finding qualified workers.

NET affiliates use an extensive computerized database of job openings -- JOB LINK -- which distributes 100-200 new listings each day. NET affiliates rely on their relationships with employers to place people in those jobs. Because funding comes from two federal programs (Community Development Block Grants and Job Training Partnership Act), NET affiliates work exclusively with economically disadvantaged people.

Delivery system: The NET affiliates are independent nonprofit organizations, but they raise funds collectively, work together to learn about new programs, address common problems, discuss clients and share job leads.

Results. Between 1984 - 1995, NET affiliates placed 15,247 people in jobs, including 1,706 people during FY 1995-1995. The program found jobs for minorities at a 4:1 ratio of their proportion in the overall workforce. African American males accounted for the single largest group placed, making up 36 percent of the total. Overall, about 60 percent of the people placed were considered high or very high risk candidates because of their work histories and personal challenges. The median per hour wage of those placed was \$7.00; nine out of ten placements were full-time jobs.

Overall results

- **All three programs successfully linked low income job seekers to employment.** In interviews, most of the employees placed through the linkage programs said they previously (1) had never considered applying for their current job; (2) had not known about their current employer; (3) had heard about the company but didn't know

what it did and didn't think they were qualified for employment there; or (4) had applied to the company before but had not been hired.

- ❑ **All three programs placed people in full-time jobs offering fringe benefits.** Median wages were sufficient to raise families out of poverty.
- ❑ **The programs helped people with limited work histories and personal barriers to employment.** All three programs placed racial and ethnic minorities in jobs at two to three times their representation in the workforce.
- ❑ **The scale of impact was substantial.** Annual placements in each community were a significant percentage of local unemployment.
- ❑ **Employers were satisfied with the services they received.** Many continued to use the linkage programs voluntarily after their obligations had been satisfied, or participated voluntarily from the outset.
- ❑ **The programs changed the prevailing local "system" for workforce development.** The linkage initiatives raised the performance standards and strengthened the workforce development infrastructure in all three communities. The programs also changed the way public agencies approached workforce issues. Two cities – Berkeley and Portland – incorporated linkage within their overall economic development policy. In all three communities, employers moved beyond participation in the linkage programs to forge voluntary partnerships and programs to make systematic changes in local labor force preparation.

	Berkeley	Minneapolis	Portland
Total placements since program began	2,344	15,274	5,123
Annual placements	259	1,706	1,235
Placements as a percentage of unemployed*	8%	14%	8%
Cost per placement	\$1,470	\$760	\$330

**To get this figure, the annual number of placements was divided by the number of local unemployed people. This gives an indication of each program's scale of impact.*

Why were the programs successful?

- ❑ **They engaged employers.** All three programs used the leverage provided through the linkage programs to start relationships with employers – but all worked hard to figure out how to build on companies' self interest.

- **They offered high quality services.** Regardless of the strength of the linkage agreement or the sanctions for non-compliance, it was the quality of job screening, training and placement services that kept employers participating.
- **They had quality management.** In addition to having strong institutional partners and delivery agents, the quality of coordination among agencies strongly influences the outcomes for both employers and job seekers. Linkage programs must make sure job information is disseminated in a timely manner and provide quality control over placements. Weaknesses in either the flow of information or candidates harms outcomes. All three profiled programs had strong coordination and management.
- **They had strong local support.** In all three cities, local leaders had a strong commitment to the linkage programs. The involvement of grassroots community organizations in supporting these programs from outside government was often critical to their survival and growth.

Lessons and recommendations

Cities should develop linkage programs that reflect local economic conditions, resources and leadership. The three profiled initiatives offer the following lessons:

- **Think of linkage programs as reformed workforce systems, rather than simply as programs for the disadvantaged.** With tight labor markets nationwide, linkage programs can best be promoted as initiatives to tap the remaining untapped labor markets in inner cities – not anti-poverty programs. As such, they have a market orientation which helps attract a high level of participation by private employers.
- **In regional economies where multiple cities compete for business, seek a region-wide approach to employment linkages.** Companies often move to another location *within* a region, a move that can be easier and less expensive. Without a region-wide approach, companies thinking about moving can play off one city with another in a search for the most incentives and the fewest hiring requirements. A regional approach to linkage avoids costly bidding wars among jurisdictions. In this respect, Portland's regional linkage had the strongest advantages.
- **Build broad-based political support so linkage programs can survive changes in city administrations.** Having public agency staff who understand the value of linkage initiatives – together with support from the business community and antipoverty groups -- can be crucial when changes in political leadership or other challenges jeopardize good programs.
- **Hire capable staff with the capacity to work with a range of stakeholders.** All three programs had capable and devoted leadership. Common attributes included a professional approach to work, the ability to find common ground, innovative problem-solving skills and accountability for results.

- **Develop strong knowledge of regional labor markets.** This enables linkage programs to help their delivery partners do an even better job of referring strong job candidates and winning employers' trust.
- **Develop close relationships with employers.** Linkage agreements get employers' attention – but providing high quality service is what keeps their interest. The key to long-term success is in viewing employers as customers, understanding their workplace needs, adding value, saving them time and money and helping them meet production schedules.
- **Create a market driven system.** Past efforts to place low income people in private sector jobs have been uneven. They have often been compromised by providers' weak connection to labor markets. This is largely because the old focus was on individuals – not market demand. The model linkage programs described here were far more attuned to the needs and workings of their local labor markets. They were able to find a balance between focusing on what employers want (the demand side) and on improving the quality of the labor force (the supply side).
- **Target the program to benefit low income people.** To ensure people who most need good jobs gain them, programs must be explicitly designed to reach and assist low income people, minorities and others who are unemployed or underemployed. Because some of these people may not be “work ready,” programs that target low-income people often must provide additional services that help people become ready for work.

When starting a linkage program, cities should not look to replicate these three model program but instead adapt some key features to its local context. Key features include:

- Financial and technical assistance to strengthen the best programs and further develop them as models from which others could learn.
- Development of a network that brings the most advanced programs together with other initiatives to facilitate the replication and learning process.
- Development of materials and an ongoing information exchange.
- Outreach through training and technical assistance to stimulate other organizations.
- Planning funds to enable community groups, nonprofits and local governments to develop plans for employment linkage programs.
- Seed money for start-ups and operating support for ongoing programs.

III. Saving and Creating Good Jobs: A Study of Industrial Retention and Expansion Programs

Manufacturing employment in the US has been declining for years – from a 1979 peak of 21 million workers to 18.4 million workers in 1995. Many of the manufacturing jobs that do remain are shifting to outlying suburban industrial parks, far from central cities where many low income people are concentrated. The loss of manufacturing jobs in our cities closely correlates with higher rates of central city poverty.

There is good news on the manufacturing front. Thanks to productivity enhancements, manufacturing activity has continued to grow, even as employment has declined. And despite all the job loss of the past two decades, significant numbers of manufacturing jobs do remain in many cities and urban counties. In terms of wages, benefits and union representation, manufacturing continues to have high job quality – and minorities are better represented than in other sectors. In 1995, hourly manufacturing wages averaged \$12.37, compared to \$11.44 in the overall private sector.

This report focuses on four exemplary industrial retention and expansion (IRE) programs designed to prevent local manufacturing firms from closing or moving – and to help these companies expand and add jobs and increase their hiring of disadvantaged city residents:

- Office of Economic Development (Berkeley, CA)
- Jane Addams Resource Corporation (Chicago, IL)
- Steel Valley Authority (Duquesne, PA)
- Westside Industrial Retention and Expansion Network (Cleveland, OH)

What is Industrial Retention and Expansion?

IRE programs help manufacturing firms already in a location stay and grow. Because manufacturing jobs can provide good work for people with limited education or experience, IRE strategies can be of special benefit to low income people. But specific mechanisms are necessary to insure jobs are targeted to those with greatest need.

IRE programs are based on two assumptions. First, manufacturers will generally seek to avoid the financial and operational costs of moving, if possible. Second, preserving existing firms can be a more efficient focus for economic development efforts than “smokestack chasing” – trying to bring in firms from elsewhere.

Particularly for smaller firms, an effective IRE program can improve competitiveness by providing assistance in such areas as marketing, technology and finding qualified workers. By enlisting local governments to help with infrastructure improvements, IRE programs can also enhance the attractiveness of business locations that are accessible to city workers.

The profiled programs

The study sites varied in the ways they supported businesses and workers – but all of their programs were assembled from among 15 core components.

Key activities included:

- Help in finding sites and developing space.
- Intervening with local governments to ease permit and other regulatory processes.
- Technical assistance with general management, marketing and technology, often concentrating on modernization and, at times, on strengthening firms at risk of shutting down or departing.
- Financing: either help in securing it or direct lending.
- Networking, including joint purchases, peer learning and production collaborations.
- Job training for new and current workers.
- Job linkage programs to improve poor people's access to manufacturing jobs.

All four programs had a modest-sized staff and budget, and all relied on partnerships to deliver services. Partners ran the gamut from manufacturing firms and public agencies to community organizations, investors and lenders and trade unions.

The IRE programs required about five to ten years of operation to develop the expertise, track records and networks to achieve consistent success. New IRE programs may not require as much time to develop as they will have access to more information and models. However, one key to making it work is developing good relationships with local firms, and that requires time.

1. Jane Addams Resource Corporation (JARC)

Background. JARC was established in 1985 as a spin off of the Jane Addams Center/Hull House Association, the famous settlement house launched nearly 100 years ago. JARC's mission is to expand the job base in Chicago's Lakeview/North Center area and increase the number of community residents qualified to fill those jobs.

Programs and activities. On the training side, a primary emphasis has been metal-working. JARC helps low-skilled production workers improve their literacy and technical skills and is also involved in school-to-work programs for youth. For manufacturers, JARC stresses retention services, offering support in modernizing, developing and managing smaller industrial spaces, marketing and advocacy, especially around land use issues.

Results. In 1995, JARC's workforce training activities assisted 17 firms employing 2,275 workers. JARC aided 95 manufacturing businesses in 1995 with services beyond training. For 55 companies with 660 workers, JARC made a major difference in whether the firms stayed in the community. All told, JARC helped more than half of the companies in its narrow target area in 1995. JARC also developed, together with the

Greater North Pulaski Development Corporation, a model IRE program for Chicago's city government.

2. Office of Economic Development

Background. OED's industrial retention program began in 1988 to retain good jobs for Berkeley residents with limited education and experience. OED also helps manufacturers surmount business problems. It catalyzed an effort to protect manufacturers, through special zoning, from being pushed out of the city by rising real estate costs.

Programs and services. OED's primary services arise from outreach to companies. Like other IRE programs, it learned manufacturers' needs by meeting with their CEOs individually. OED offers help with financing, permit processing, working with city government to help resolve public works or other issues, finding sites for expansion, assistance with recycling and energy conservation, and local hiring. OED encourages businesses that receive its help to hire entry-level workers through Berkeley's First Source Employment program. Under that arrangement, employers give First Source early notice of job openings and consider candidates the program sends before looking to other sources for workers. First Source refers qualified local job candidates from area job-training agencies and other community sources.

Results. In 1995 alone, OED assisted 33 of Berkeley's 230 manufacturers, employing 935 of the city's 6,400 manufacturing workers. During 1990-1995, OED made a key difference in whether a firm stayed or departed for an average of eight firms employing 896 workers each year. In the 1990s overall, OED helped reverse 20 years of declining manufacturing employment in the city.

3. Steel Valley Authority (SVA)

Background. SVA was formed in 1986 by seven mayors and the Tri-State Conference on Steel, an alliance of church, community and labor activists. Its mission was to fight plant closures and advocate for high wage manufacturing employment at a time of immense job loss in the steel industry in the Pittsburgh region. Chartered by the state as a regional development organization, SVA can acquire industrial development projects by eminent domain and raise bond financing. SVA has not used these powers, but the formal structure and powers helped give SVA legitimacy early on.

Products and services. SVA helps organize worker buyouts and helps companies, especially family-owned firms, plan for succession. It works to improve labor relations and assists with financing. Working with partners to augment its staff of three, SVA brokers technical assistance for production, technology, management and financial operations. SVA does not directly target low income workers. SVA initially tried unsuccessfully to rescue several very large steel facilities. It later shifted its focus to small and mid-sized firms, frequently in crisis, but where shutdown was not imminent. SVA developed mechanisms for workers and others to identify warning signs of businesses in trouble.

Results. From 1993-1995, SVA had a significant impact on 39 companies' decisions to stay in business and/or at their current locations. Those firms employed over 5,500 people. Annually, SVA has helped to retain 13 firms and about 1,848 jobs. In 1995, it assisted 45 companies employing nearly 7,000 people – or about 10 percent of the regional manufacturing base.

4. Westside Industrial Retention and Expansion Network (WIRE-Net)

Background. Three community development corporations formed WIRE-Net in 1986 to retain manufacturing businesses and jobs on Cleveland's near west side. WIRE-Net interviewed 200 firms to identify initial priorities; those interviews still guide its activities today. Firms pay a membership fee to belong to WIRE-Net.

Products and services. WIRE-Net helps businesses find sites, advocates for infrastructure and other community improvements, provides technology, modernization and management assistance, arranges joint purchases, and trains managers and supervisors. WIRE-Net also places entry-level workers and runs a school-to-work program with the local high school. WIRE-Net's "Hire Locally" initiative takes in job orders from area firms and refers to them residents from its job candidate bank.

Results. In 1995, WIRE-Net provided individualized business services to 68 companies, helped 90 with group services and responded to 75 firms' requests for Hire Locally job candidates. WIRE-Net made a key difference in 18 firms' decisions to stay; those firms employed 1,082 people. WIRE-Net has expanded substantially in recent years with funding from several foundations. It is also the model for a city-wide IRE initiative funded primarily by city government.

Overall results

- **The programs retained firms that might otherwise have left.** There is no way to know for sure that every firm that stayed would have moved or gone out of existence without the IRE program. But the initiatives clearly fostered companies' competitiveness and encouraged their staying in cities by delivering first class services to business.
- **The programs successfully targeted hiring and promotion of disadvantaged people.** Such goals were priorities of the successful programs.
- **The programs preserved enough jobs to significantly improve manufacturing growth.** In three of the four locations, IRE programs stabilized a formerly deteriorating situation. Only in one site – Pennsylvania, which had been ravaged by steel industry shutdowns – did net loss of manufacturing jobs continue. All four programs contributed in other ways to neighborhood revitalization – ranging from saving a school threatened with closure to inducing expanding firms to contribute to subsidized child care.

- The programs were extremely cost-effective. Even making conservative assumptions, the costs per job retained or created were very low – ranging from a few hundred dollars to less than \$3,000. Costs for job training and placement were also well under industry norms. This study did not directly compare retention programs with efforts to attract new businesses. However, the costs per job created or retained were a fraction of the costs of many business attraction/subsidy programs. For example, when Alabama convinced Mercedes to build a new manufacturing plant in the state, it spent \$200,000 per job in tax breaks and other subsidies.
- The programs changed the prevailing local system for supporting manufacturing firms. The initiatives created better partnerships among businesses and the community and fostered a new tradition of business-to-business cooperation. They set new standards for targeting job benefits to disadvantaged people and improved manufacturers' attitudes about doing business in local industrial areas. Most firms initially became involved in IRE programs to deal with their company's own needs. But after working with other community leaders through these initiatives, many expanded their participation in community-building activities.

Some programs won more favorable zoning patterns and streamlined permit approvals for manufacturing. All helped expand resources for companies in trouble. And each helped to change the perception of manufacturing as a dying industry.

- Targeting jobs to local workers improved the firms' competitiveness. In some areas, many of the companies helped by the IRE programs had experienced labor shortages. The IRE linkage and training programs saved the companies time and money in recruitment, hiring and training.

Annual Outcomes

Measure of performance	Cleveland WIRE-Net (1995)	Berkeley OED (5 yr. avg.)	Chicago JARC (1995)	Duquesne SVA (3 yr. avg.)
Manufacturing businesses Retained / attracted	18	8	55 ¹	13
Jobs retained	1,082	896	2,460	1,848
Local residents hired through placement program	152	40 ²	41	no program

¹ Not including those for whom training was the sole significant services

² Manufacturing jobs only, within a broader program of placement

Why were the programs successful?

- They understood that employers have vital concerns for the success of their individual firms, their industry *and* their community. The programs made

manufacturers key players in strategy-making and in defining IRE services. They undertook wide and thoughtful outreach. And they built credibility and trust by providing services of real and immediate value. The model programs presumed from the start that community residents and manufacturers shared common interests, beginning with the hiring of qualified workers.

- **They focused on neglected aspects of economic development – helping existing firms and targeting jobs to local workers.** Each program concentrated on retaining manufacturing firms in places that local governments and civic and business institutions had given little attention. An important component in program design was responding to manufacturers' growing and changing space needs and other concerns *before* the firms began hunting for alternative locations. The initiatives found that tax and capital subsidies were less important to the small and mid-sized firms than their operating environment. Targeting jobs to local workers had a double positive effect. It helped disadvantaged people enter the economic mainstream and it contributed to firms' competitiveness by filling an urgent need for trained labor.
- **They were targeted and designed to benefit low income people – and community groups played a major role.** Three out of four of the programs were designed by low income community organizations, which ensured that priority went to those who most need good jobs; the fourth program also had strong targeting features for incumbent workers whose livelihoods were at risk.
- **They had highly competent staffs.** Key capabilities for staff included technical skills, experience and expertise at building relationships with business people. Staff needed to build and retain credibility as experts in their work.
- **They could access flexible operating support.** The model IRE programs provided one-on-one as well as group services. They were staff intensive, not capital subsidy intensive. While member dues and service fees covered some costs, flexible operating support enabled the initiatives to meet business needs. Local governments, in particular, played a key role in the programs' growth, as did foundations taking early risks.
- **Each of the four sites featured complex public private partnerships.** These contributed significantly to IRE effectiveness – and in ways far beyond financial support. Partners collaborated in such diverse areas as helping firms take advantage of new technologies, upgrading worker training and resolving environmental disputes.
- **Economic and social conditions affected the success of the IRE programs -- but not necessarily in the ways one might think.** The four programs operated in both strong and weak economic markets. Key to success was having a base of smaller, locally owned firms and territories large enough to achieve economies of scale in providing business services. Also important were the ability to take timely action in finding urban sites, training to fill gaps in the education system and the willingness to invest in these programs over time, without demanding immediate results.

Lessons and recommendations

The performance and impact of the four IRE initiatives make a strong case that they should be expanded in size and in range of activities – and replicated elsewhere.

- **Inside-the-plant-gate services.** Only some IRE programs have made progress in providing help with technology, modernization and management. Developing such services is especially important for smaller manufacturers that cannot afford them. They can benefit substantially from common services, peer learning and other group approaches typical of IRE initiatives
- **Workforce training and placement.** IRE business assistance programs produce big payoffs for low-income communities only when they are coupled tightly with training and linkage opportunities for residents. IRE initiatives often start with little or no programming in this area, proceed piecemeal to create it, and require support and guidance to develop comprehensive, state-of-the-art efforts. Technology improvement and worker training provided together have especially powerful effects.
- **Outreach.** To be effective, IRE programs need the active participation of local manufacturing firms in defining their needs, directing programs and building the trust of their colleagues. IRE staff, stretched thin, may fall short on the outreach needed to recruit participants. They need funds designated for this core task—and flexible core funds in general—to keep IRE programs on target with business needs.
- **Involvement of community-based organizations.** The strong participation of grassroots groups is often central to making sure that the IRE program benefits low-income people. It was in three of the four case studies. Having community groups join forces with business representatives can also help convince the public sector to take needed actions.
- **Expanding geographic reach.** An IRE program gains significant advantages from expanding the geographic area and number of firms it serves. These include being able to match up firms that have common technology and training needs, achieve joint marketing goals and save money through joint purchasing arrangements. Expansion can increase the efficiency of specialized job training and of job placement efforts. It can also allow a program to pursue sector strategies with firms in the same sub-industry.
- **Replicating IRE efforts.** The key requirement for replication is a base of entrepreneurial leaders committed to both the growth of local industry and targeting that growth to benefit low-income residents. Other critical needs include the ability to recruit and train staff with unusual combinations of skills and sensitivities, patience and care in building credibility with area businesses, and availability of flexible risk-taking funds. Also critical is increased visibility for the value of IRE programs, greater public and private sector funding for developing and operating these programs and more education of economic development professionals and policy-makers about the effectiveness of IRE approaches.

- **Role of the Federal Government.** The federal government should provide support to encourage networking among IRE initiatives – including convening meetings, developing a newsletter and training materials and supplying technical assistance based on best practices. Also useful would be federal support to create a multi-site demonstration project and to make IRE part of a broader initiative that offers multiple economic development strategies, each focused on targeting private sector job opportunities to people in need.

Among the federal agencies that could be drawn on for support are:

Housing and Urban Development Department -- Community Development Block Grants and Empowerment Zone and Enterprise Community resources for manufacturing initiatives and job linkage

Commerce Department -- Economic Development Administration support for manufacturing space and infrastructure and NIST-sponsored manufacturing extension centers

Environmental Protection Agency (and HUD) -- brownfield clean-up resources

Labor Department – the resources of the Workforce Investment Act and related programs

Health and Human Services Department -- welfare-to-work and school-to-work initiatives for workforce development and job placement

Small Business Administration and Community Development Financial Institutions -- financing

IV. Strengthening Rural Economies: Programs that Target Promising Sectors of a Local Economy

Many of our nation's poorest communities are rural. In 1995, rural residents earned 28 percent less per capita and had a poverty rate more than twice as high, as metropolitan area households. A major cause of rural poverty is the scarcity and poor quality of jobs. Business development is more difficult because of the distance from markets, poor infrastructure, workforce shortages, lack of access to business services and poor availability of capital for financing new or expanding ventures.

To address rural poverty, many state and local governments have offered large subsidies to entice major businesses to build manufacturing plants in rural areas – a strategy known as smokestack chasing. Others have developed facilities such as industrial parks hoping they could attract businesses. Community-based organizations, too, have started rural businesses or supplied capital and technical assistance to encourage enterprises in rural areas. Results of these strategies have been mixed.

This study examines an approach to building rural economies known as sector development. Sector strategies focus on nurturing businesses located near each other, with common features. The businesses may produce similar products, use the same raw materials or technology, or share a common market. Because it targets only one business type, sector development can theoretically better understand a sector's needs and exploit its potential. And it is easier to build a network of businesses that can expedite access to specialized training or raw materials, or exert political leverage to secure resources and policies to help the sector grow.

While traditional sectoral strategies may be defined solely by their concentration on an industry, the four programs here focus on access to jobs and other benefits for people in need. Each of these initiatives has been effective in generating jobs, especially for low income people, and has been operating long enough to have a track record:

- Hosiery Technology Center (Hickory, NC)
- Wood Products Competitiveness Corporation (Bend, OR)
- Ganados del Valle (Los Ojos, NM)
- Alaska Village Initiatives (Anchorage, AK)

What is sector development?

Sector strategies date from the early 1960s, when local economic development officials began recruiting firms from specific industries based on their area's comparative advantages. Japan's economic success in the 1980s prompted some economists to advocate for a sector-based industrial policy for the US, targeting high technology and other industries with strong growth potential. Such proposals didn't go far, although some state and local governments began experimenting with sector programs.

Sector development got a boost in the late 1980s, when Europe began developing flexible manufacturing networks. These groups of small but related firms proved that

small companies could -- by working closely together -- compete successfully against larger corporations in international markets. Interest in sector development has persisted. Much of the focus today is on promoting industry clusters. These are groups of businesses located near each other, operating in the same business or a complementary activity. Clusters often include such supporting institutions as colleges with programs to train people to work in the designated industry.

Most sector programs do not explicitly link benefits with low income people and communities, but many do weave this principle into their programs in varying ways.

The profiled programs

All four programs reach low income people with their job placement, job training and job creation activities. Two initiatives specifically target low income constituents as part of their mission. Each program is small, with annual budgets ranging from \$300,000 to nearly \$600,000 and full-time staff ranging from three to eight. Key activities include:

- Networking and communications
- Lobbying and advocacy
- Research and development
- Technology transfer
- Management training
- Employment and training
- Finance
- Supply development
- Marketing
- Venture / small business development

1. Hosiery Technology Center (HTC)

Background. HTC is funded by state government through the community college system. It was launched in 1990 by the Carolina Hosiery Association – a network of about 200 hosiery firms statewide – to help the industry modernize, upgrade employees' skills and compete more effectively in the global marketplace. Most of the firms served by HTC employ 25-100 workers.

Sectoral analysis. North Carolina mills produce about 60 percent of all hosiery made in the US. HTC's analysis revealed that while hosiery had lost fewer jobs than most of the state's textile manufacturers, it still faced serious challenges. Computerized knitting machines from Italy and Japan had revolutionized sock production – but North Carolina's small and mid-sized firms had responded slowly. Major discount stores had started buying directly from the mills, which lowered prices and raised demand for more variety of styles. Retailers also wanted more customized ordering and delivery services.

Programs and activities. HTC helps firms use new technologies to improve their competitiveness and has developed a new industry training program through the community colleges. HTC stresses the need to modernize not just equipment, but also

manufacturing processes, such as "Just-in-time-delivery," which uses computerized bar coding and fast delivery services to provide products as they are needed. HTC has also tried to create more career interest in its industry, which has had a negative image, especially among young people and teachers. It publishes a newsletter and has an on-line network to encourage firm-to-firm communication. HTC is also actively engaged in research and development. It sponsors many courses and works with the Southeast Manufacturing Technology Center, a federally-funded initiative, to help manufacturers modernize.

Results. HTC has had a significant impact on North Carolina's hosiery industry. It has helped to train hundreds of workers and firms. HTC estimates that its technology transfer activities alone provided \$2.7 million in benefits to firms in 1995-1996. During that time span, HTC placed 66 workers in jobs, at an average per hour salary of \$8.50-\$10 for production positions and \$10-\$12 for machine technicians. The jobs, which are full time and typically offer good benefits, pay as much as other local industries and more than retail, services and government jobs. The people HTC trains – a mix of incumbent and new workers -- are almost entirely low income, including many recent immigrants.

2. The Wood Product Competitiveness Corporation (WPCC)

Background. Oregon state government launched WPCC in response to severe job losses in logging and lumber mills. WPCC is now an independent trade association. In 1995, its members included 104 wood products firms – 13 percent of the state's total. WPCC devises and coordinates strategies to strengthen the competitiveness of Oregon's wood products industry, especially small and medium-sized firms.

Sectoral analysis. Early analysis highlighted the two distinct segments of Oregon's wood products industry. The primary industry segment does timber cutting, transportation and lumber milling. The secondary segment manufactures wood into such products as flooring, cabinets, doors and windows. The analysis revealed that while the industry's primary segment was in decline, wood products manufacturing was growing – and should therefore be the focus of WPCC's industry development activities.

The analysis also showed that wood products manufacturers faced several problems, including a falling supply of high quality wood. Another challenge: the firms were small and widely scattered. To survive competitively, they needed to increase their range of products and their ability to customize. They also needed to export more.

Programs and activities. WPCC addressed the lack of high quality wood by showing firms how to use wood that had not been used commercially, such as juniper. It also got the firms to work together as a network, enabling them to share the costs of marketing, modernization and training. WPCC helped the companies combine production, develop joint product lines and improve their access to credit. Much of WPCC's work has involved creating aspects of flexible manufacturing networks that proved to be so successful in Europe.

WPCC has helped firms adopt new technologies and created a \$35 million Credit Enhancement Fund, supported by the state, to provide access to capital for new equipment. WPCC has also developed a system to refer firms to lenders, and most companies are now able to secure credit on their own merits. WPCC works with community colleges to train workers to use new equipment and publishes a monthly newsletter for its members and a quarterly magazine for the wood products industry. To expand markets, WPCC provides information on sales opportunities and strengthens relationships between producers and buyers through its annual Buyers/Sellers Conference. It has also created a "Made in Oregon" program to market the industry.

Results. WPPC trained 648 workers from 48 companies in 1996, helping upgrade their supervisory and technical skills. It trained another 79 workers in newer, entry-level courses. And it significantly helped 15 firms acquire new technology and assisted 55 firms through its marketing program. The program appears to serve disadvantaged populations well in excess of their proportion of the workforce. The average wage in the wood products industry keeps a family around the poverty line. However, in many rural towns, these jobs are the best available. Still, there is work to be done in raising productivity and wages. In developing a flexible manufacturing network, WPCC got Oregon's traditionally independent wood products firms to work together and built collaborations with state agencies, colleges and financial institutions.

3. Ganados del Valle (GDV)

Background. GDV grew out of a grassroots organizing campaign around issues of land use, poverty, health care and the need for economic development compatible with the environment and culture of the Chama Valley. GDV formed in 1983, soon after the campaign blocked development of a large ski resort.

Sectoral analysis. GDV's sectoral analysis reflected its mission to strengthen cultural identity and history among the Chama Valley's Native American and Hispanic communities. Because the culture is so tied to the land, GDV chose to focus on agriculture. It adopted an economic development strategy based in Churro sheep raising and weaving. GDV also promoted community action around land use and the development of local leaders. In so doing, GDV blended a sector-focused economic strategy with community development.

Programs and activities. GDV helps both existing and new businesses and has launched several enterprises of its own. These ventures are intended to help create a market for sheep herders and artisans, buying their products, adding value and then re-selling them to retailers, wholesalers and others. GDV offers a range of support services, including marketing, financing and technical assistance. GDV also operates a small revolving loan fund.

Among the new venture startups organized by GDV are a sheep growers' cooperative and Tierra Wools, a weaving cooperative producing mats, wall hangings, sweaters and jackets. Pastores Lambs, a GDV subsidiary, produces and distributes organic lamb and specialty meat products. Rio Arriba Wool Washing, another GDV subsidiary, offers

wool washing services. Pastores Artisans provides wholesaling services for local artisans; Otra Vuelta produces floor and vehicle mats from discarded tires.

Results. GDV businesses employ 52 people, most part-time. While the other sector initiatives in this study influenced more businesses and jobs, GDV has transformed Los Ojos, NM, the small town where it is based. Nearly every business there was created or helped by GDV. Nearly all the people aided by GDV are women and minorities. The businesses and their workers interrelate as service providers, producers and markets for one another.

4. Alaska Village Initiatives (AVI)

Background. AVI began in 1968 as a community development corporation (CDC) funded by the state's Community Action Program. Today, AVI has more than 140 members, representing 50,000 Alaska residents. Its clients are rural, native Alaskan communities. AVI is not technically a sector development initiative; it is a multi-faceted CDC. But one special area of focus are tourist-oriented businesses in the state's rural villages and small towns, including tours, special activities, cultural entertainment and lodging. AVI's mission is to improve the well being of rural Alaska communities by embracing cultural values and strengthening self-reliance.

Sectoral analysis. In the mid-1980s, AVI analysis showed that Alaska's tourism industry was growing rapidly, while more traditional rural industries, such as fishing, were declining. Key players in the tourism industry were regional marketing organizations that channeled visitors to more accessible parts of the state. AVI also learned that many tourists bought tour packages before they came to Alaska. To attract tourists to AVI's remote villages, AVI realized it had to reach tourists before they left home and to market the villages jointly with a unique hook – native culture.

Programs and activities. AVI created Alaska Village Tours in 1987 to work with community-owned tourism businesses. It provides assistance in business planning and management and operates a revolving loan fund. AVI offers on-the-job training for tour guides, leaders, performers, crafts people and managers. Joint marketing is done through the Alaska Native Tourism Council, a cooperative marketing association. The marketing campaign urges prospective visitors to include native tour products on their upcoming Alaska visit and includes annual mailings to over 100,000 potential visitors.

Results. Most of the jobs generated by AVI are during the tourist season. Alaska Village Tours employs 14 people directly. The Alaska Native Tourism Council created more than 200 jobs at local sites during the 1993 visitor season, including 49 tour guides. The economic activity, while modest in scale, supported the preservation and restoration of such activities as native crafts, artistry and dance. It also provided notable cash infusions in subsistence economies and gave some young people an introduction to paid work and markets.

Overall results

- **All four initiatives strengthened the business sectors they targeted.** Before developing support services, they analyzed the regional economy and global economic trends where relevant. The programs developed a specialized knowledge of a designated sector and figured out how best to assist that sector.
- **Each program established credibility with its targeted industry** by creating personal ties and delivering value-added services.
- **Job impacts were more mixed**, largely because two of the initiatives concentrated more on cultural preservation and other community benefits to disadvantaged people, rather than on scale of employment.

Why were these programs successful?

- **They understood and connected to the industry.** Their analysis identified current industry trends – whether in product mix or technology or marketing – to which successful businesses needed to respond. The connections helped to build the programs' credibility and capacity to respond to industry needs. The initiatives' specialized knowledge of the designated industry enabled staff to work with industry leaders on activities such as joint marketing, events and training programs.
- **They marshaled expertise.** All four programs successfully marshaled expertise – otherwise hard to access by small firms in rural locations – although some did so more effectively than others. HTC was very effective, while GDV had to struggle to find good consultants and sometimes assigned complex business tasks to inexperienced staff members. These problems underscore the challenge of economic development in sparsely populated rural areas.
- **They honored historical, cultural and geographic contexts.** All four projects respected and drew upon local history and culture (both that of businesses and residents) to add value to products, galvanize community participation and influence what organizations do and how businesses are set up.
- **They built supportive partnerships.** All four programs forged partnerships to widen their impact. In North Carolina, the mostly family-owned firms had a tradition of working together, and partnership building was relatively easy. By contrast, Oregon's rugged independence made it much more challenging to get firms to see the benefits of collaboration.
- **They found the added value.** Ultimately, a sector program succeeds by being able to add enough value to its members' products or services that these firms survive and grow.
- **They hired quality staff.** Staff were critical to the success of all four programs. They worked effectively across different cultures, built partnerships, delivered useful services, got their industries to prepare for the future, involved business leaders, were creative and entrepreneurial, and cut through red tape.

Lessons and recommendations

The four initiatives demonstrate that sector development has great promise for strengthening rural economies. These initiatives are worth expanding and replicating. Key lessons include:

- **Help businesses adopt appropriate technologies.** Most firms in rural areas are relatively small and can benefit significantly from getting access to modern manufacturing and communications technology and management techniques.
- **Focus on the intersection of technology and training.** New technology requires well-trained employees, which many rural businesses formerly did not need. Sector programs can help firms see the need for training and develop effective programs with community colleges and other institutions.
- **Focus on marketing.** With increased competition and market complexity, most rural firms need and want marketing help and can make use of joint efforts to reach a larger scale of non-local customers.
- **Find ways to provide needed expertise.** Many rural firms also need help with finance, accounting and legal issues. Finding ways to connect rural businesses with this expertise is crucial.
- **Expand job training and placement.** Training workers to operate new machinery is only one of the challenges rural businesses face. In some cases, they must overcome a negative image about jobs in their industries. Or they need to help people get ready for work and acquire basic proficiencies.
- **Build strong networks.** Rural isolation increases the need to find ways for businesses to share information and work together on common problems. The four sector initiatives built networks through regular meetings, events, newsletters and collaborative projects. These networks lowered the cost of providing assistance and training, increased the flow of information and enhanced the industry's ability to press for needed policies and resources.
- **Combine economic development and community-building.** For many rural sector programs, significant gains can be achieved simply by working with existing firms. But for programs in isolated communities, a different strategy might be needed. GDV had to create businesses to carry out its sector strategy, and AVI had to find and nurture local entrepreneurs and very small businesses. Beyond job creation, both helped their communities develop new leaders and entrepreneurs, preserve their history and cultures, and get more residents trained and into jobs. It may be that the only economic program that can succeed in very low income, isolated communities entails developing a good business strategy *and* a strong community base.
- **Achieve economies-of-scale.** Successful sectoral programs expand their geographic reach to increase the number of businesses served or provide services more efficiently. Having more firms with the same technology, training needs,

marketing goals and purchasing requirements can justify the joint programs that can save money. The training can also be more specialized.

- **Convince existing sector programs to focus on low income people.** While most sector programs do not focus on low income people and communities, this study found that programs which do so can be quite successful. In order for more sector programs to adopt this goal, the strategy's visibility must be expanded. Funders should increase support for such programs, and policymakers and economic development professionals need to be educated about their impact. The direct involvement of grassroots organizations representing low income people can strongly reinforce the design and effectiveness of efforts to benefit those who most need good jobs.
- **To maintain its focus on low income people and communities, a sector program must make targeting an explicit part of its mission** and find and train staff who understand business, workforce development *and* low income community development. When starting a new program, the focus needs to be on a geographic area that is large enough, with enough industry concentration, to make a sector strategy work.
- **A sector program needs resources.** This includes support for basic operations, staff and board training and adequate technical assistance for local businesses. It also includes pulling in many partners who can provide key services and push governments to support this work.

V. New Avenues into Jobs: Early Lessons from Nonprofit Temp Agencies and Employment Brokers

Over the years, some nonprofit organizations have experimented with temporary employment as a first step toward integrating low income people into the world of work. Steering disadvantaged workers to "temp" work is controversial. By their very nature, temporary jobs don't offer much job security, often pay poorly and frequently lack benefits or ladders into careers. There is concern that temporary employment can become a trap, as workers are repeatedly hired and then let go, becoming, in effect, the rolling stones of the labor markets.

Some innovative nonprofit programs are working to overcome these problems. They are using temporary work as a springboard into employment – particularly for young people with limited work experience and for older workers who have been unemployed for long periods or need a second chance. Through temporary employment, people can build an employment track record, demonstrate a work ethic, learn about their abilities and preferences, practice at different jobs and transition into permanent employment.

One compelling reason for considering temp work as a jobs strategy today is the explosion of temporary jobs in the labor force. In both the service and manufacturing sectors, a growing number of companies engage temporary workers as an integral component of their business strategy and hiring practices. The temporary services industry consistently ranks as one of the fastest growing job sectors in the US.

This report examines six nonprofits that help disadvantaged workers gain access to jobs through temporary work:

- Milwaukee Careers Cooperative (Milwaukee, WI)
- Labor Connection, Chrysalis (Los Angeles, CA)
- New Unity, Inc. (Minneapolis, MN)
- Goodwill Temporary Services (Portland, OR)
- Suburban Job-Link Corporation (Chicago, IL)
- Columbus Works, Inc. (Columbus, OH)

What is temporary employment?

The temporary help industry nearly always uses a triangular arrangement. A temporary services firm hires a worker, who is, in turn, dispatched on assignment with an employer who has contracted with the temp firm. Unlike an employment agency, which generally charges a fee for placing workers, temp firms recruit their own workforce, pay the employees and pay all employment taxes. Temp firms usually charge participating employers on an hourly basis for each worker, at an amount that covers the temp firm's costs, plus a mark-up for profit.

Most workers do not fit the old stereotypical image of temp employment as female clerical workers or male day laborers. Temporary workers in today's marketplace have both full-time and part-time jobs in a broad spectrum of activities, including

professional, technical and even executive positions. Increasingly, firms use temp hiring as the principal entry point for permanent hiring, selecting their own permanent workers from among temps working at their business.

The profiled programs

These six profiled programs target workers who would typically be considered among the hardest to serve – homeless people, ex-convicts, people with serious substance abuse histories, high school dropouts, welfare recipients, the chronically unemployed and physically and mentally disabled people. Indeed, temp work strategies may be best suited for people who are not “work ready” and who need a transition into the world of work.

Five of the programs run stand-alone job placement services. Most offer a menu of job options to build bridges into the labor markets. Importantly, the programs combined short-term work preparation and job placement with longer-term, post-placement support.

1. Milwaukee Careers Cooperative (MCC)

Background. MCC was created in 1987 by Milwaukee-area congregations and community organizations. MCC now has over 40 member groups. MCC helps low income and disadvantaged residents become economically self-sufficient.

Programs and services. MCC enters into written agreements with companies to employ workers on a probationary basis for 30, 60 or 90 days, after which time the worker can be placed on the company payroll. Job seekers hear about MCC primarily through word-of-mouth or leaflets. MCC account executives visit prospective employers, solicit job openings and match job orders to the job seekers. MCC operates a fleet of vans to provide transportation to job sites that are not accessible by public transportation.

Results. During 1995-96, MCC placed 1,130 people in jobs. Of those, 961 were temp-to-perm placements, at an average salary of \$5.86 per hour. Current data indicate a turnover rate of about 13 percent. The bulk of MCC's placements were for jobs in foundry operations, light manufacturing or assembly, warehousing and food services. MCC has also placed employees in clerical work, customer service, health care, hospitality and meat packing.

2. Labor Connection, Chrysalis

Background. Founded in 1984, Chrysalis began as a food and clothing center for homeless people. It established a temporary employment agency in 1990 – Labor Connection – which has grown rapidly. Chrysalis also operates a street cleaning business to give homeless people work experience, and a permanent employment program for people who are job ready.

Programs and services. Labor Connection does not hide the fact that its employees have had problems in the past. It tells the employers in its network that its labor pool is highly motivated and tightly supervised.

Results. In 1996, Labor Connection placed 345 people. About 30 percent eventually moved from temporary to permanent employment. Most of the placements from Labor Connection's downtown office were in warehousing, shipping and receiving, maintenance and janitorial work. Placements from its Santa Monica office were more likely to be placed in clerical, sales, data entry and other service occupations.

3. New Unity, Inc.

Background. New Unity is an affiliate of Pillsbury Neighborhood Services, a community agency. New Unity provides several employment options for job seekers, ranging from transitional to permanent work experience. New Unity started New U Temps in 1995. It also runs a light manufacturing business and a landscaping company.

Programs and services. New U Temps receives employee referrals from the job banks operated by Minneapolis' employment linkage program, the Neighborhood Employment Network, which was profiled earlier in this report. New U Temp offers testing, training, transportation, placement and follow up support.

Results. During the first three quarters of 1996, New U Temp placed between 10 and 25 people daily; 45 had made the transition to permanent jobs. The average per hour wage was \$7.41 for temporary jobs and \$8.10 for permanent jobs.

4. Goodwill Temporary Services (GTS)

History. Portland's local Goodwill Industries chapter launched GTS in the early 1990s. About 85 percent of GTS temporary employees have physical or mental disabilities.

Programs and services. Community organizations are the main source of job recruits, who come to GTS job-ready. Some have participated in other Goodwill education and job-training programs. The typical GTS assignment ranges from three days to a week. Some GTS temps move to permanent jobs as they gain work experience.

Results. During 1996, GTS had 551 temp workers on its payroll; 50 had moved into permanent positions. The average wage for temporaries was \$7.60 per hour. Ninety percent of GTS' business was temporary jobs in state government.

5. Suburban Job-Link Corporation

Background. Founded in 1970, Suburban Job-Link focuses on connecting inner city residents with jobs in the Chicago suburbs.

Programs and Services. Suburban Job-Link offers a full range of employment services – including transportation, training and placement. Its temp agency targets small and mid-sized manufacturers in Chicago's northwest suburbs.

Results. Over the past three decades, Suburban Job-Link has placed 25,000 Chicago residents in temporary jobs and 7,000 people in full-time jobs.

6. Columbus Works, Inc.

Background. Columbus Works began offering job placement for high school dropouts in 1995. In addition to its own activities, Columbus Works also partners with other intermediaries to provide job training and placement.

Programs and Services. Columbus Works takes young people aged 18-24 through a four-step process from unemployment to full time jobs. Job targets include the printing industry, construction trades and lead abatement.

Results. During 1995-1996, Columbus Works enrolled 314 students and placed 151 in jobs. About half were for permanent jobs, at an average 1996 wage of \$6.84 per hour.

Overall results

- **All six programs significantly improved the economic prospects of many job-seekers, including those who are thought to be the hardest to serve: homeless individuals, former convicts, people who have used drugs, high school dropouts, welfare recipients and others.**
- **The programs showed that community employment brokers can create pools of motivated and loyal workers who find jobs they would not be able to access on their own. But there is still much to assess about the longer term impact of moving these people to permanent employment with good wages and benefits.**
- **The programs showed that a nonprofit can operate an employment brokerage program as an efficient business operation, even making a profit on job placement activities. They can both fill the critical need for employment support for disadvantaged people and compete successfully in certain market niches.**
- **The advantage that these organizations have is that they know how to work with the people they target. At the same time, their business customers value the support these organization provide their employees, support that improves their job performance and longevity.**

Why were the programs successful?

- **They operated in tight labor markets. Labor shortages among traditional workers encouraged businesses to consider hiring disadvantaged job seekers. Community**

organizations have a comparative advantage in this arena because they understand how to work with disadvantaged people.

- **They kept a focus on the need for systemic reform.** Structural forces have crowded many young people, females and minorities into low-wage and unstable jobs. Improving employment brokering activities is not a sufficient strategy for addressing these forces. Job placement programs therefore need to consider how to improve job quality and help restructure entry-level jobs so that they lead to better wages, job ladders and careers.

Lessons and recommendations

Outcomes from temporary job placements have not yet been carefully evaluated. While temp work can clearly provide a way into the permanent job market – and about 30 percent of temporary placements lead to permanent jobs -- more analysis is required to determine how effective this avenue is for low income and disadvantaged job seekers.

Initiatives that use temporary work as a springboard into employment for disadvantaged workers should be supported, strengthened and examined for possible replication. Local governments and communities need to take the lead, with support from private funders and public agencies. The elements of this support could include:

- Develop a peer learning network that brings together more advanced groups with other organizations to speed up the learning and replication process.
- Promote information sharing and exchange through useful materials so organizations can learn from each other.
- Provide training and technical assistance to build local capacity.
- Supply local planning funds to enable community groups, nonprofits and local governments to develop plans for creating employment brokering initiatives.
- Provide seed money for start-ups and operating support for ongoing programs.
- Undertake research and evaluation to document outcomes and propose policy approaches to support this strategy.

VI. Conclusion

The programs highlighted in this report collectively point the way toward a new approach for helping low income people join the economic and social mainstream. That approach holds unlimited promise – but only if thoughtful policymakers and practitioners commit to expand and spread these initiatives to more places.

The challenge is not only how to invent programs that work for disadvantaged people in today's economy, it is also how to translate local efforts that are working into programs that can be replicated elsewhere and thus achieve meaningful scale.

These programs have found a valuable niche appropriate to today's economic environment. They have figured out how to serve low income people and respect and build community, even while engaging the private sector in new and exciting ways. The participation of community organizations in directing and supporting these programs has been critical to their survival and growth. At the same time, the initiatives add value to employers' bottom lines.

One breakthrough that cannot be overstated is the growing propensity of these initiatives to look regionally and metrowide for opportunities for residents of distressed neighborhoods. The poor -- both in rural areas and in isolated urban neighborhoods— have often been cut off from areas of rising opportunity. This isolation has been bad for society. Today's innovative efforts break that mold, with impressive results. Connecting residents of disadvantaged communities to jobs in firms, industries and places where economic opportunity is strong -- and building cooperating businesses' competitive edge -- are central to the initiatives.

Another distinguishing feature of the initiatives profiled here is their attention to organizational details. They have flatly rejected the unspoken notion that nonprofit groups should accept second class management because they have worthy missions or because the sector traditionally has paid below-market salaries. These directors set goals, expect measurable results, offer high quality services and objectively assess their own performance. Providing excellent services to businesses and job seekers alike is expected by all to be the basis for continuing support and participation.

Finally, these programs keep their focus on the need for systemic reform. They lead through example, demonstrating how poor people and places can participate successfully in the new economy, creating the relationships that, hopefully, will eventually institutionalize and broaden their achievements. This is the very essence of a bottom-up versus top-down approach.

Two compelling observations emerge from the studies profiled here. First, strong performers in the field can, with proper support, produce results of substantial scale right now. And second, a good deal is already known about how to help such efforts expand and be replicated. The specifics of how successful programs evolve are no longer a mystery, though they remain sensitive to local circumstances.

And yet, while the programs here are clearly replicable and worth replicating, there is still no real policy support behind them. A good place to start on this process is to heed what the architects of the programs say they most need:

- Financial and technical assistance to strengthen the best programs and further develop them as models from which others could learn.
- Help in developing a network that brings the most advanced programs together with other initiatives to facilitate the replication and learning process, including materials and an ongoing information exchange.
- Outreach through training and technical assistance to stimulate and build the capacity of other organizations.
- Planning funds to enable community groups, nonprofits and local governments to develop new programs and partnerships based on these models.
- Seed money for start-ups and operating support for ongoing programs.
- Insistence on a continuing commitment to explicitly serve the disadvantaged with changes in underlying systems and practices.
- Research and evaluation to document successful outcomes and propose new policy approaches to support the best initiatives.

Translating small successes into big successes will not happen automatically. And a booming national economy, offering unprecedented new demand for disadvantaged workers, will only last for so long. We must act now to ensure low income people capitalize on these welcomed trends and gain a strong foothold in the economy.