

**Perseverance and Partnership Produce Progress
in Community Development**



**Loretta J. Mester
President and Chief Executive Officer
Federal Reserve Bank of Cleveland**

**2023 Policy Summit: Communities Thriving in a Changing Economy
Sponsored by the Federal Reserve Banks of Cleveland, Boston, Chicago, Dallas, Kansas City,
Minneapolis, Philadelphia, Richmond, and St. Louis
Cleveland, OH**

June 23, 2023

Introduction

Good afternoon and thank you for participating in this year's Policy Summit, a forum for collaboration between researchers, community development practitioners, and policymakers. Although we bring different perspectives to the table, we share a common goal: to strengthen communities by improving the opportunities for all people to productively engage in our economy. I thank all of the organizers for putting together such a strong program.

The discussions over the last two days have focused on many of the challenges that face our communities, both long-standing ones and new ones that reflect our changing economy. There are still significant impediments limiting those in low- and moderate-income households and communities from fully benefiting from a strong economy. Not everyone has access to affordable education, transportation, broadband, housing, credit, and other financial services, which are the foundational elements that allow people to achieve the American dream and secure a better living standard for their children. I applaud each and every one of you for persevering in your efforts to improve our economy for all. At times it must be quite discouraging given what still needs to be done. But I have decided to end the summit on a positive note by providing some examples of the progress that has been achieved in supporting communities through partnership and perseverance. Before I continue, I note that the views I present will be my own and not necessarily those of the Federal Reserve System or of my colleagues on the Federal Open Market Committee.

Community Development and the Federal Reserve System

My examples of progress come from two areas in which the Federal Reserve System has been particularly interested: housing and workforce development. As many of you know, the origin of the Fed's community development work lies with the passage of the Community Reinvestment Act (CRA) in

1977.¹ The CRA reaffirmed that insured depository institutions must serve the communities in which they are chartered to do business, helping to ensure equitable access to credit for all individuals and neighborhoods. The Fed and other federal financial supervisory agencies were charged with implementing the act. Today, through its research and outreach efforts, the community development function within the Fed provides information about the economic health of low- and moderate-income households and communities, and small businesses. This information is particularly helpful in tracking emerging developments and monitoring the economy in real time, since this information is available before many of the official statistics are released. It proved particularly useful during the pandemic, which had a disproportionately negative effect on lower-income people and people of color, as well as the post-pandemic economy, which has been characterized by high inflation, a particularly onerous burden for people and businesses with fewer resources. Some of the information gathered is now included in the Beige Book, which is published two weeks before each meeting of the Federal Open Market Committee, which sets monetary policy.

Another important source of information is the Federal Reserve Banks' Small Business Credit Survey, which the Cleveland Fed now leads on behalf of the System.² The survey provides information from a large sample of small businesses on their credit performance, financing needs and choices, and borrower experiences.³ The survey allowed the Fed to document the disparate impact the pandemic had on small Black-owned and women-owned businesses, track the post-pandemic recovery of small businesses, and see how differences in access to credit have changed over time. The data on access to credit have

¹ This survey was launched in 2010 by the New York Fed and has been a collaboration among all 12 Reserve Banks since 2016. For more discussion, see Mester (2017).

² Between September and November 2022, almost 14,000 small business owners participated in the survey, almost 8,000 employer firms – small businesses with between 1 to 499 employees – and almost 6,000 nonemployer firms – small businesses without employees. The survey's web page at www.fedsmallbusiness.org provides background on the survey, survey data, and analyses using the data. See Federal Reserve Banks (2023a and 2023b).

³ See Federal Reserve Banks (2023a, 2023b, and 2023c).

informed the work being done by the federal banking regulators to modernize the regulations to implement the CRA in light of the changes in banking since the 1970s.⁴

In addition to real-time reconnaissance, the Fed's community development function also works to understand the longer-run trends that present challenges and opportunities for lower-income households and communities. At the Cleveland Fed we collect information in a variety of ways, including meeting with our community contacts and our Community Advisory Council, conducting surveys of nonprofits and small businesses, and convening listening sessions and roundtables. An example is yesterday's Fed Listens event, which allowed Governor Bowman and me to directly hear how lower-income communities are experiencing the post-pandemic economy. Equally important for our work is the collaboration we have with many of your organizations. We have learned over the years that much more can be accomplished by bringing together diverse perspectives to identify problems and then working together as partners with perseverance to solve them.

Progress

Let me turn to examples of progress, first, in the area of housing and neighborhood development.

Housing and neighborhood development: A modern land bank and lead remediation

Since the urban decline of the 1970s, vacant and abandoned properties have posed a problem for neighborhood revitalization. The global financial crisis and Great Recession of 2007-2009 exacerbated this challenge.⁵ Ohio had one of the highest foreclosure rates in the country during this time. In Slavic Village, a neighborhood in southeast Cleveland, foreclosures affected as many as one in four homes.

⁴ For the latest information on the rulemaking process, see the section titled "Interagency Community Reinvestment Act Proposed Rulemaking," on the Community Reinvestment Act web page of the Board of Governors of the Federal Reserve System.

⁵ See Federal Reserve Bank of Cleveland (2008).

Between 1990 and 2010, the number of vacant properties more than doubled in places like Cleveland, Detroit, and Baltimore, but increases were also seen in Sun Belt cities, including Atlanta and Miami.⁶

To help solve the large number of vacant and abandoned properties in Ohio in the 2000s, a “next generation” land bank was set up, the Cuyahoga Land Bank. Instead of relying on government agencies, this land bank entrusted nongovernmental entities to acquire distressed properties and they were able to convert these properties to alternate uses more efficiently than local governments could.⁷ This land bank continues to be an important avenue for revitalizing neighborhoods in Cleveland.

Another example of progress is the remediation of lead in the housing stock in Cleveland. While in some parts of the country lead contamination has come through the drinking water system, in Cleveland, a deteriorating housing stock in distressed neighborhoods was the main contributor to high levels of lead toxicity in children. Even though it has been 45 years since lead paint was banned in 1978, in the mid-2000s, lead testing in Cleveland revealed that a significant share of the city’s children had elevated levels of lead in their bloodstream, and these children disproportionately lived in lower-income and majority minority neighborhoods.⁸ At elevated levels, lead can cause brain damage that is irreversible and has significant adverse effects on a child’s ability to learn, which can threaten the child’s attachment to the workforce and long-term economic well-being. Lead is a health problem, but it is also an educational problem, a workforce and economic development problem, and a barrier to economic opportunity and an inclusive economy.

⁶ See Finn, Nelson, and Stein (2021), pp. 7-23.

⁷ The Cuyahoga Land Bank was modeled after one in Genesee County, Michigan. See Federal Reserve Bank of Cleveland (2008) and Finn, Nelson, and Stein (2021).

⁸ See Nelson (2016), Johnson (2019), and Coulton, et al. (2020). A study of Chicago neighborhoods found that even though the incidence of lead poisoning in children has fallen significantly over time as a result of public health policy, it is still the case that those neighborhoods with the highest levels of toxicity are predominantly Black neighborhoods. See Sampson and Winter (2016).

As more people became aware of the dangerous effects of lead in homes, research institutions, hospitals, nonprofits, and foundations joined with the City of Cleveland and Cuyahoga County to form a public-private partnership called the Lead Safe Cleveland Coalition. For the past six years, the Coalition has helped with screening, testing, public outreach, and engagement with residents and landlords, as well as lead paint remediation in homes and clearance. Over time, the group has expanded to include more organizations and state and local governments, and families affected by lead. Many of our Policy Summit partners, including the United Way, Enterprise Community Partners, Cleveland Neighborhood Progress, and the Urban League, are members.⁹

In 2016, the Cleveland Fed convened parties interested in solving the lead problem, and in 2022 we hosted a Lead Safe Home Fund investor forum at the Bank. It was clear that a lot of tangible progress had been made over those six years. As of January 2022, \$115 million of funding has been designated for making Cleveland homes lead-safe and the City of Cleveland requires all rental properties built before 1978 to have a Lead Safe certification, which requires the property to have been inspected by a certified professional and not have any current lead hazards. The share of tested children who have elevated blood levels of lead has also fallen substantially since the 2000s.¹⁰ Still, we should not tolerate any level of toxicity. There is more work to be done, but I am convinced that with perseverance and continued partnership we can make even more progress.

Workforce development: Training and early childhood education

The second set of examples is in the area of workforce development. Workforce development plays a critical role in helping people and communities further their economic well-being. Currently, our economy is experiencing a skills gap: not enough workers have the skills necessary to fill the jobs in demand. This means that the country is not living up to its economic potential. A skilled workforce that

⁹ See the Lead Safe Cleveland Coalition's website.

¹⁰ Data from the Lead Safe Cleveland Coalition show that from 2017 to 2021, this share has fallen from about 13 percent to about 9 percent. See the Lead Safe Cleveland Coalition's dashboard.

can adapt to change is an essential ingredient in a healthy economy. The Federal Reserve System has worked on several initiatives to promote investment in workforce development and encourage partnerships.¹¹ I use the word “investment” on purpose. There is a growing understanding among businesses that expenditure on employees should not just be viewed as a short-run input cost. Employees are important assets to an organization and investing in employees can pay off in the long run by creating a more attached and productive workforce. Regions are also realizing that investments to draw a highly skilled workforce can pay off by attracting more employers to the region and making the region more competitive when opportunities arise. Workforce development and regional economic development are linked and should be viewed as a common goal.

Even before the pandemic, technological change, automation, and digitalization were driving rapid changes in the nature of work: what we do and how we do it.¹² The types of jobs and the skills needed for doing them are changing. Over the past decade, skills-based hiring has become more common and has provided a practical solution for matching employers with workers who have the necessary skills and providing better career paths for more people. According to a Fed survey of young workers, more than 30 percent of young adults did not get information about jobs and careers in high school or college.¹³ The Federal Reserve has been working to fill this information gap. For example, recognizing that a majority of adults, disproportionately people of color, do not have at least a bachelor’s degree, researchers at the Federal Reserve Banks of Cleveland, Atlanta, and Philadelphia have been documenting the types of

¹¹ The Federal Reserve System worked with the John J. Heldrich Center for Workforce Development at Rutgers University, the Ray Marshall Center of the Lyndon B. Johnson School at the University of Texas, and the W.E. Upjohn Institute for Employment Research on an initiative called Investing in America’s Workforce. The Federal Reserve Banks have also participated in recent national initiatives, including the Worker Voices Project, which raised the public’s awareness of the experiences of lower wage workers during the pandemic, and the Advancing Careers for Low-Income Families Initiative, based at the Federal Reserve Bank of Atlanta, which is raising the public’s awareness about benefits cliffs, which refer to situations in which families lose access to some public assistance benefits as their income rises.

¹² See Mester (2021).

¹³ See Board of Governors of the Federal Reserve System (2016).

occupations that do not require a four-year college degree but that do pay a decent wage (at or above the median wage).¹⁴ Examples of these types of “opportunity occupations” include nurses, sales representatives, truck drivers, carpenters, and electricians. An examination of the skills in demand for lower-wage and for opportunity occupations led to the development of the Occupational Mobility Explorer tool.¹⁵ This tool helps workers in 33 different metro areas learn how the skills used in their current occupation are similar to those used in a higher-paying occupation in their same labor market. For example, if you are a cashier in Cleveland, you have the skills to be a customer service representative, a job that pays, on average, 135 percent more.¹⁶

As the skills gap has widened, community colleges and businesses have partnered to tailor training and curriculums. The Federal Reserve and other evaluators have identified several examples of successful partnerships that have increased opportunity, reduced worker turnover, and increased productivity and wages.¹⁷ Many of these programs are sector specific. The Cuyahoga County Workforce Funders Group, a public-private partnership, is working with various local partners on programs in information technology, healthcare, manufacturing, and hospitality. Towards Employment, a nonprofit workforce development organization involved in this effort, bases its work on the WorkAdvance model to help build career paths in high-demand sectors. This model includes pre-screening to ensure that participants understand a sector’s job requirements, occupational skills training, placement services, and post-employment coaching. The model has been shown to be effective, with participants working more regular hours, staying in the workforce, and earning higher salaries.¹⁸

¹⁴ See Federal Reserve Bank of Cleveland.

¹⁵ See Federal Reserve Bank of Philadelphia.

¹⁶ This is based on using the Occupational Mobility Explorer tool, which is available at <https://www.philadelphiafed.org/surveys-and-data/community-development-data/occupational-mobility-explorer>.

¹⁷ See Fee, Klesta, and Nelson (2016) and Federal Reserve Bank of Atlanta and Federal Reserve Bank of Philadelphia (2021).

¹⁸ See Fund for Our Economic Future and Hendra, et al. (2016).

Of course, to be able to perform well at a job or in a skills-based development program, one needs to have had a good foundation. It has become increasingly clear through research and experience that early childhood education is critically important for advancement. The benefit comes not only from acquiring skills like reading and math but also from behavioral skills.¹⁹ We now know that when children fall behind early on, it is difficult to catch up, and progress has been made in identifying which type of early childhood education programs work.²⁰ The research has shown that well-focused investment in early childhood development pays off for both individuals and the community overall,²¹ that enrollment in pre-K programs has helped to lower racial and income disparities in students' readiness for kindergarten,²² and that home environment matters, too. For example, a study by a Cleveland Fed economist showed that the number of books at home has a significant impact on achievement in elementary school.²³

The research findings have driven action and the action has led to progress. In 2014, the Cleveland Metropolitan Area School District (CMSD) expanded pre-K education through its PRE4CLE program. In the year prior to its establishment, only 16 percent of children were entering kindergarten fully prepared, as measured by Ohio's Kindergarten Readiness Assessment, and only about 26 percent of preschool-age children in Cleveland were participating in high-quality preschool. From the program's launch through 2019, enrollment in high-quality preschool increased by 72 percent, with nearly half of Cleveland's 3- to 5-year-olds enrolled. Unfortunately, as was true for many childhood education

¹⁹ One study found that a main way in which the influential Perry Preschool Program, which predates HeadStart, affected longer-run outcomes was by affecting the social skills of the participants, e.g., lowering aggressive and anti-social behaviors. See Heckman, Pinto, and Savelyev (2013).

²⁰ See, for example, Heckman, Pinto, and Savelyev (2013), and Almond and Currie (2010).

²¹ See Rolnick and Grunewald (2003).

²² See Reardon and Portilla (2016).

²³ See Aliprantis (2014).

programs, the pandemic caused the enrollment in PRE4CLE to fall significantly, but it did begin to recover last year.

The Cincinnati Preschool Promise is also working to expand access to high-quality preschool to prepare students for kindergarten. And Akron's I Promise School has also been successfully implementing a wrap-around approach that ensures that students have access not only to education but also to healthy food and transportation to get to school. Another sign of progress is that policymakers increasingly recognize that they need to take a holistic approach to effectively address the challenges facing lower-income households.

What is critically important now is to persevere in educating our children, make up the ground lost during the pandemic, and increase access, so that all of our children will be ready for the changing workforce of the future.²⁴

Conclusion

These are only a few examples of progress. I could point to many others that show what can be achieved through partnership and perseverance. I hope that what you have learned and who you have met at this year's Policy Summit will inspire you to form new partnerships and to persevere with the important work you are doing. If we remain committed and work together, I am convinced we will make further progress toward a more inclusive economy in which all people benefit. Thank you again for participating in this year's Policy Summit.

²⁴ The pandemic was a setback for childhood education. It had significant negative effects on the math and reading achievement scores of elementary school students in the U.S. See Kuhfeld, Soland, and Lewis (2022).

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