More cooperation, less corporate subsidization

The Shifting Landscape of Economic Development

For 10 years, the Federal Reserve Bank of Cleveland has hosted a unique gathering of researchers and practitioners to talk about community development policies. The 2012 Policy Summit continued the tradition of marrying research and theory with on-the-ground “what works” know-how. Everything from low-income housing programs to workforce development was put under the microscope, and no neat-sounding hypothesis was left unexamined by the practical eye of experience.

In the following pages, Forefront zeroes in on the Policy Summit’s headline sessions covering economic development and education reform.

For links to a full roundup of the two-day event, including video excerpts from keynote speaker Alex Kotlowitz’s moving address, visit us online at www.clevelandfed.org/forefront.

Rebuilding Communities: Lessons from the Cleveland Fed’s 2012 Policy Summit

Economic development used to be easy to define. In its most traditional form, it was designed to motivate businesses to add new jobs, open plants, or move into town. That was about it.

Today, economic development professionals need more space to explain what they do. Their efforts have grown more varied and more interconnected. And they hope their results have likewise grown in magnitude.

“Too much economic development at the state and local levels has been throwing goodies at employers,” said Harry Holzer, a professor of public policy with the Public Policy Institute at Georgetown University. “We’re talking about economic development that provides some value-added…that works with companies to develop their skill mix, the services the companies provide to employees, and helps them to access the talent they often have a hard time getting on their own.”

Holzer joined two other national experts at the Cleveland Fed’s 2012 Policy Summit in laying out a new approach to economic development — one that is multipronged, holistic, and long in its planning and execution horizon.

That long horizon is crucial, because returns from investments are often not immediate. On any given day in any given neighborhood, economic and community development professionals are working hard to improve conditions, get people jobs, and make streets safer. Yet for all of their efforts, they face a recurring question: So what?

Here is how Michael Rubinger, president and CEO of Local Initiatives Support Corporation (LISC), framed the problem: “You’ve developed housing, you’ve undertaken physical revitalization — but so what? Have you really changed these communities and improved the lives of residents who live there?
If we really are serious about creating sustainable communities, where people willingly come to work and live, we somehow have to address the other daunting issues.”

Gone are the days when luring new companies to town was the name of the game. Addressing the needs of low- and moderate-income communities in particular means providing more than jobs — it means providing workforce development opportunities, good schools, safe neighborhoods, access to health care, cultural amenities, housing, and transportation, among other things.

Granted, that’s asking a lot. Priorities must be set. LISC’s strategy to encompass all of these approaches is called Building Sustainable Communities, and it involves everything from setting up Financial Opportunity Centers to supporting charter schools and after-school programs. But it’s difficult to find ways to connect the various organizations with a common mission, Rubinger said. School officials have enough on their plates without coordinating with local housing authorities, for example. But Rubinger emphasized the strategy is not — and cannot be — about the individual projects, no matter how effective or innovative they may be.

“It’s about how these are woven together in a mutually reinforcing way in a single, targeted neighborhood to achieve greater force and impact,” Rubinger added. This year, LISC is active with such efforts in 50 communities across the country. The current slow economic recovery is only adding to the challenge, making it harder to raise funds and reverse economic decline. “We’re making progress, but let’s be clear — our work has only just begun.”

A localized experiment in comprehensive economic development is happening in Akron, Ohio. Eric Anthony Johnson, executive director of the University Park Alliance, described plans to transform the 50 blocks around the University of Akron into an economically, socially, and culturally vibrant community. Anchored by the university, a medical center, and three primary education schools, the plan looks to create more than 2,500 jobs over the long term.

In the University Park Alliance’s strategy, commercial development projects go hand in hand with neighborhood revitalization. A company considering a business investment in the region may be more willing to do so if it sees a healthy neighborhood with a built-in, skilled labor pool. And for families and individuals, the decision to move to the community may likewise be based on nearby employment prospects.

“The old economic development model is throwing out a fishing pole and hoping to land the big company,” Johnson said. “That doesn’t happen now. Our emphasis is on place.”

Both the LISC and the University Park Alliance approaches aim to break institutions and organizations out of their traditional silos. Holzer noted that overcoming the inertia of institutions is difficult because they often lack incentives to change. Historically, for example, the U.S. Department of Education has not always tried to align its policies with the Labor Department’s workforce development programs.

Students may get a decent education in public school, but they may still lack basic information about the most in-demand skills and occupations in the labor market. And when they do recognize opportunities, they often can’t get the education they need.

“We have all these stories during the recession of unemployed workers going back to college, community colleges especially. They knew that health care and health technology remained a strong field despite the recession,” Holzer said. “And the classes were always oversubscribed because the institution didn’t have the incentive to expand capacity in those high-demand areas. That’s part of the problem of education and workforce not being integrated and the two of them not being responsive to the demand side of the labor market.”

What works, Holzer said, are some of the very approaches taken by LISC and the University Park Alliance. Local schools must connect with one-stop workforce development shops that are in turn connected to local employers. Good data will help identify where the jobs are located and which sectors are growing. And intermediaries are essential to bring together the industries, the associations, the employers, the training providers, and the workers. Above all, the strongest returns come when educational programs match labor market needs.

The first step is simply recognizing the need to make connections — that the kind of housing one lives in has a direct correlation with how well children do in school; that just because a factory moves to town doesn’t mean qualified candidates have access to transportation that would bring them to the workplace. Silos must be broken down.

“The implication for community development,” Rubinger said, “is that we have to be comprehensive in our approaches.”

The next step is arguably harder. That’s when results have to be produced — when you have to answer the “so what” question.

Watch video clips from this session
www.clevelandfed.org/Forefront/2012/summer/ff_2012_summer_06.cfm