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Conclusions from conversations about economic inclusion from the Midwest

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The past decade of growth in the U.S. economy has benefited some places and demographic groups more than others. Despite aggregate increases in employment, wages, and home prices, wide gaps remain, especially between racial groups. This pattern has drawn the attention of stakeholders in the public, philanthropic, and nonprofit sectors in cities across the country. Some cities face unique challenges in supporting their communities most in need. Many older industrial cities in the Midwest have limited public and philanthropic resources, challenging demographic trends and local economies that have transitioned away from manufacturing as the dominant employment sector.

Given these shifts, we wondered: have community and economic development (CED) practitioners identified economic inclusion as a priority in these cities? If so, how are they defining the problem and addressing barriers to economic growth for lower-income places and people? What strategies are these stakeholders pursuing to ensure economic growth opportunities reach more residents, and what are the key similarities and differences in policy and practice approaches across cities? To explore these questions, we conducted a series of 17 focus groups with approximately 200 participants representing a variety of stakeholders in 13 industrial cities across the Federal Reserve's Seventh District.[1]

In this report, we discuss key findings from our focus groups. First, an overarching observation is that policymakers and other stakeholders in CED are having active conversations about how to connect economic opportunities to all residents to foster conditions of broad-based economic prosperity. Specific findings, discussed in the subsequent sections, reveal that some places, particularly cities with weaker labor markets, are experiencing greater challenges than others in terms of connecting their residents with economic opportunities. Further, a key challenge for many stakeholders is collaboration, particularly among the large, complex, and often loosely organized network of actors engaged in workforce development and related strategies to advance economic opportunity. Participants also discussed the importance of overcoming barriers and divisions in order to empower underserved communities and populations in conversations and planning about economic inclusion to ensure that everyone is represented and heard. Finally, participants described the important task of making the case that economic inclusion is a virtuous cycle of not only ensuring that all benefit from economic growth, but have the ability to contribute as well.

Our focus groups represented a diverse mix of stakeholders from community organizations, local philanthropies, and policymakers, to workforce development professionals, financial service providers, and some elected officials. Participants were identified by Federal Reserve CED outreach staff as key stakeholders in their respective cities. Participants were all asked the same general sets of questions about how they defined economic inclusion, what strategies were being employed to promote inclusion, and challenges and barriers to success, among other topics. To help summarize our conversations and identify the key takeaways, we recorded and transcribed the focus groups. We then reviewed and analyzed the transcripts using a qualitative analysis software (Nvivo 10; QSR International, Doncaster, Australia) and identified themes that emerged across multiple conversations that related to our research questions. Given the wide variance in tone and focus across the focus group conversations, many themes emerged from our analysis. This summary focuses on a subset of those themes, and includes a selection of direct quotes from focus group participants. Additional information about our approach to conducting the focus groups and analyzing participant responses is included in the appendix to this report.

We conclude by offering some policy and practice implications and recommendations based on our findings, which are aligned with our understanding of the relevant demographic, economic, and policy context. Here and throughout this report, our intent is to summarize and share the insights of the stakeholders who participated in the focus groups, as accurately and authentically as possible.

Labor market conditions and workforce issues

Local labor market conditions were often at the center of conversations regarding economic inclusion. In some cities, focus group participants noted that low unemployment and a 'tight' labor market are driving practices of inclusion. In contrast, communities with high unemployment wrestle with persistent barriers created by an economy experiencing little to no growth. In these places, establishing a baseline of overall economic growth and prosperity often took precedent over the goal of expanding opportunity to communities with the greatest challenges.

"The workforce shortage has been a strong catalyst for our community to engage people differently, and on different levels."

In some cities, participants reported that employers are experiencing a deficit of potential workers, especially those qualified for skilled trades. Discussions regarding the 'skills gap' (a default term used by some participants to identify the space between unfilled jobs and unemployed workers – regardless of cause) are common among employers and workforce development professionals. Participants also reflected the common messaging that 'all good jobs require a four-year degree' complicated efforts to fill job vacancies – especially in the trades – that do not require a bachelor's degree.

"The private sector will say they can't find qualified labor. There are people that are looking for a job that can't find (one). There are programs offered at the community college and at the high schools that have low enrollment. It is as much a function of access, as a function of awareness, communication, connecting, and alignment."

"We need to educate our youth that don't want to go to the universities, or even two-year colleges, to go to a trade school and enroll in a 12-month program…"

A major topic of conversation in the focus groups was workforce development programs and developing a workforce pipeline to match the local labor market. Employers, employees, and the training programs that seek to be a bridge to opportunity appear to be misaligned, according to participants. Both employers and workforce development professionals said that the process of training workers for jobs and the timeframe in which those employees are needed is out of sync. Identifying viable candidates and then training them takes time. However, employers have 'just-in-time' employment expectations. Further impeding the coordination of workforce development, readiness, and deployment were gaps in communications and information flows. Reaching populations that are disconnected from the mainstream labor force presents challenges that require many coordinated interventions. In addition, according to participants, employers are also often under-informed regarding resources available in the community to meet their needs for workers.

"The programs they offer are not always what people are hiring (for) because it changes so quickly. For a while, they were offering all these welding programs. And now they don't need welders."

"Employers may not know what services may be available to them to hire these individuals who may be a little more challenged."

Participants did feel that workable solutions could be identified and implemented. Workforce development was seen as an important component of inclusionary practices necessary to achieve broad-based prosperity. However, local business communities were sometimes viewed as not participating in developing the workforce or supporting inclusive projects. Participants attributed this, at least in part, to the misalignment between short-term business cycles and the longer-term investments and 'change-horizons' required to bring inclusionary practices to fruition.

Participants also expressed some concern about the distinction between low-wage and "good-paying" jobs, those that pay around $15 an hour or more. Participants were direct about the impact of low-paying jobs on families and their communities, and connected this back to training and labor force quality. Some participants reflected that a workforce with low education and skill attainment levels is a barrier to implementing growth strategies, as it limits employers that might otherwise consider such a community. The result is a catch-22 of low paying jobs going unfilled because they do not offer a livable wage, but the workforce not being developed to the point where higher paying employers could be attracted.

"If a community is only bringing in minimum wage service jobs, then the disparity is going to continue to grow."

"Hand-in-hand with making sure there are opportunities is making sure that there's capacity within the population to take advantage of that opportunity. (In our local region), 80 percent of people don't have a college degree."

Collaboration

Focus group participants spoke frequently of the need for greater alignment and collaboration across the CED field. Many participants also stressed the importance of bringing together a wide range of stakeholders, especially from communities most affected by a lack of inclusion. While participants expressed the need for comprehensive community-level representation, they also want engagement from leaders in state government with access to policy levers. Some participants could point to examples where coordinated conversations were taking place and felt that these were effective uses of their time. Other participants noted that fragmented programs made pursuit of greater inclusion more challenging. Even in places with relatively strong local economies, a lack of coordination across groups had real implications for lost opportunities and wasted energies.

"I think the challenge is that the answers to economic inclusion are … pretty complex and so facilitating those conversations that result in scalable solutions is tough."

"I don't see a lot of policymakers at the table when we're trying to talk about how we change the big picture."

"There are a lot of conversations; they're not connected."

"Neighborhood associations rise up when there's a threat or a loss; when we face something that we can describe as the enemy. But what about when we're trying to build for the future?"

To address the complexities of collaboration, many participants expressed desire for a coordinating entity for the many CED organizations and agencies with complementary and sometimes overlapping interests. An effective coordinating entity could help improve communication across the community development sector and between government, practitioners, and businesses, and could help develop a collective vision and mission among like-minded organizations focused on inclusion over the long term. Another role of such an entity would be to establish common metrics and share resources to facilitate the use of data in identifying community needs and measuring progress toward outcomes. Finally, participants described tensions between places within regions, such as central cities vs. surrounding suburbs that could perhaps be mitigated by the presence of a coordinating entity stewarding a common agenda and vision. Participants cautioned against defaulting to a local anchor institution for this role. In some cases, this might be an appropriate choice. In other cases, this might be the role for a new organization. Some participants felt that a regularly scheduled conversation among the right participants would be a good place to start.

"There isn't an individual or an entity that is trusted enough by all to lead without their own agenda. There are a number of organizations that are trying to work together. But I'm not sure the effort is inclusive enough."

"I'd like to establish a system that allows us to tackle big problems together as a region, with metrics, and time frames, and resources that everybody buys into."

"I think everyone intends to be collaborative. It's just hard without some backbone entity with staffing and infrastructure support, to keep the chain linked, to keep the momentum going."

"With all the different municipalities that exist in this small area, you can't have one consistent discussion."

Barriers and divisions

Participants described many barriers to achieving economic inclusion, with divisions along racial lines among the most prominent barriers. Racial barriers are compounded by geographic segregation and exacerbated by concentrations of wealth, resources, and political power. Participants reported that many cities and regions had failed to incorporate racial diversity reflective of the general population in leadership across the public and private sectors, meaning that the communities struggling most with economic inclusion often lack representation in important policy conversations. Participants cautioned that organizers need to be discerning about who is speaking for whom, even when charged with being in a leadership role.

"We have the highest disparity of wealth in any region in the United States. It's based 100 percent on race. It's not hyperbole."

"Often we will see the same set of people at the table representing the particular group. There are more people that ought to be at the table. We need to broaden that conversation to make it deeper."

Participants highlighted the risks of speaking or acting, intentionally or unintentionally, on behalf of affected populations or communities without their input. A lack of input from community members can lead to sometimes faulty assumptions about their needs, undermining (otherwise) potentially effective interventions. In some cases, participants noted that resources (money) drive the decision-making process for people and places without resources of their own. Participants spoke of the challenges of building new partnerships with new purpose and perspective, burdened by memories of past efforts that yielded few tangible results, or where key decisions were made without adequate community input.

"If you have people from the neighborhood who may not have equal educational attainment (or not of the) same socioeconomic status as the people who are making the decisions, will what they say have equal weight in the decision-making? Or, is the decision already made when they come to the meeting and this is just a show?"

"I'm on several boards where it's a bunch of folks in the room making rules for nobody that's in the room."

Real engagement, according to participants, involves shifting the balance of power. An indication that a power shift has occurred includes authentic leadership that is representative of its community or constituency. A lack of this representation is a red flag to participants. However, 'representation' is a complex objective, perceived differently and unevenly by individual stakeholders.

"At a lot of those meetings, the African American community was not represented. You look around and it's all white people. How can you address this if we can't get them in the conversation?"

"Access doesn't necessarily address people feeling comfortable utilizing the resources that are accessible to them. I think that there might be some feelings of, 'This was created for me not with me. I have not had a voice in that.'"

Economic and geographic segregation go hand-in-hand with racial segregation in many places. However, race is not the only factor that acts as both a barrier to economic participation and a source of fragmentation in the community. Poverty, age, English fluency, and immigration status, among other factors, also impact how fully members of a community engage with their local economy, degree of representation within stakeholder institutions, and how connected – economically and socially – one is with their city and region. Immigrant communities in particular are often poorly represented in community leadership and thus lack a voice in the decision-making process, participants reflected. Some participants described programs targeted to provide services and resources to immigrants in their cities, with mixed perceptions of the effectiveness of these programs.

Some participants felt that barriers associated with race, class, and immigrant status could be surmounted with more open communication within the community. In places with deep internal divides along lines of race, ethnicity, economic segregation, immigrant status, or language use, it may be difficult to engage the whole community in supporting inclusive economic development. Persistent barriers perpetuate an adversarial view of economic development in which gains by one group are perceived to come at the expense of another. This in turn shifts the burden of economic engagement to the individual, especially for minority groups, since the community as a whole may not support community-wide economic interventions designed to help specific, economically marginalized groups.

"You typically lean toward people that you feel more comfortable with…a lot of times people don't recognize their own biases."

"Whenever anybody raises their hand and says, 'Hey, what about us?,' it's easy to turn the tables on them and focus on language like entitlements, versus actually seeing where wealth is going, and fighting as a community for a more equitable distribution."

Making the case

Another frequently reported frustration to achieving economic inclusion was the inability to persuade the private sector that inclusion is in everyone's interest, and that the business community should be actively involved in supporting inclusion. Businesses are well aware of their hiring challenges and cognizant of skill and educational deficits among potential workers. However, participants reported struggling to broaden the conversation to larger systemic issues around equity and inclusion that might address barriers to opportunity, including longstanding rifts within some communities. In some cases, the extended time horizon needed to address inclusion was out of synch with the business cycle. Businesses are often disinclined to help develop a talent pipeline that is years away from directly benefiting their access to workers.

"I don't know that there is widespread feeling amongst the whole business community that, yes, we need to tackle this workforce issue starting in kindergarten."

"There's an interest in buying and selling, but not an interest in solving or seeing problems that are there at a bigger level."

In other cases, local leadership and commitment were lacking to frame the issue in economic terms. However, there were exceptions to that view, for example, in places that had recognized that a poorly functioning school system – one that did not provide equitable opportunity – undermined community-wide economic development goals. Even in places where conversations about inclusion are occurring, it is not necessarily framed as an explicit objective. Lack of inclusion, or acknowledgement of its importance, needs to be framed as a cost not only to the excluded, but to the region.

"The argument around how we can get people on board is not about equity. It's not about sharing power and sharing the pie. It's about how you deliver the message in someone's self-interest."

"So we're not helping anyone, as an employer, if we're not hiring someone with a criminal record or who may have issues. We are all going to be held accountable when we have problems because those individuals don't have employment."

The downside to not pursuing inclusion is less evident and can tend to be ignored, especially where conversations about inclusion are perceived as threatening. Messaging that economic inclusion is in one's self-interest was offered as a solution.

A key barrier to making the case for greater inclusion in some communities was distrust across geographies, racial groups, and other lines. Conversations around (lack of) trust were most frequently heard in places that were experiencing periods of prolonged economic distress, which exacerbates divisions between community stakeholders and makes for more difficult conversations around equity and inclusion. The importance of establishing trust in conversations about economic inclusion cannot be overestimated. One organizing strategy to overcome distrust between communities in economically troubled places was to frame economic inclusion as a unifying issue that would bring people together in the same way that a crisis (such as a plant closing) had in the past.

"The lack of trust that's come from racism and discrimination get to a point where I just don't want to do nothing. I'm going to be comfortable in my little lane right here, because nobody cares. It's always going to be like this. Nobody is coming to save me."

"Our forward mechanism in this community has been built on conflict and extracting power from this large, organized source. You either have to create a new large organized source of resources, or we have to slowly deconstruct it. And that is really hard. If all I have for leverage is my plight, if I let go of that, then I'm just an ignored voice."

"We rise up pretty consistently when there's a loss or when we face something that we can describe as the enemy. But what about when we're trying to build for the future?"

Implications for policy and practice

Drawing on the themes that emerged from our conversations with CED stakeholders, we now discuss several reflections and implications for policymakers and other leaders working to improve economic inclusion in their communities. One recurring message from focus group participants applies to everything that follows: policies designed for groups that are not adequately represented in the policymaking process can have significant unintended consequences.

Intentional language to prioritize inclusion

Unless policies and programs have an expressly stated inclusion mandate, participants felt that inclusion would not happen. In order to achieve more equitable outcomes, explicitly identifying race as a barrier is crucial. Community development leaders should be cognizant of the ways that racial barriers manifest across institutions and systems.

Taking local labor market conditions into account

Inclusionary practices are challenging to implement in places with little or no economic growth; interventions need to take into account their context. While tight labor markets represent an opportunity to expand economic inclusion, implementing inclusionary practices that will endure over the course of the business cycle is a challenge. Economic gains among excluded/marginalized populations are vulnerable to economic downturns. There are opportunities in tight labor markets to build coalitions, engage with private sector employers, and remove barriers to employment that can be sustained during periods of less supportive economic conditions.

Inclusion in the organizing and planning process

Policy and community discussions about inclusion must include underrepresented groups. Many participants voiced skepticism that the right people were being engaged in conversations around inclusion. More than once, we were cautioned to be cognizant of who was (and was not) in the room. Economic inclusion involves engaging populations and communities that may have faced barriers to collaboration in the past, including political barriers and uneven power structures. Participants challenged those with resources and political power to be aware of how power dynamics influence diversity and inclusion.

Role of a regional backbone entity

A regional, backbone entity was often called for to coordinate and align activities and priorities across the community and economic development sector. A regional coordinator entity may need to be a newly formed organization. An existing, default entity, such as a university, larger nonprofit, or major employer may or may not be the right choice for this role. The primary responsibility of this entity would be to focus explicitly on inclusion, with responsibility for coordinating the fragmented pieces of the CED and workforce development landscape, and gathering and maintaining data and evidence to monitor inclusion. A stated purpose of advancing inclusion is imperative.

Conclusion

Despite broad-based trends of economic prosperity and growth, many segments of the population – and often those residing in small and mid-sized cities – are not connecting to or benefitting from new opportunities. During one of the lengthiest periods of economic expansion, entire neighborhoods and populations – some incumbent residents, some new arrivals – are not able to take a first step on the ladder to economic stability. We asked our community partners and stakeholders to collaborate with us to understand how, in light of these conditions, leaders were grappling with economic inclusion in a manner that may overcome barriers and create a pathway for sustainable economic resilience. The answer that emerged from focus group participants is complex: we need thoughtful and well-resourced collaborations that seek to address – not hide – community fault lines that confound the most well-intentioned interventions and investments. Participants were vocal about the need to align resources, time horizons, and power dynamics around a common, often regional, agenda with objectives clearly focused on economic inclusion and removing economic disparities.

Although the Great Recession and its effects are still in recent memory for most of the participants, many of today's challenges predate that downturn and have endured through the ensuing expansion. According to many focus group participants, change will only occur with intentional, explicit interventions.

Note: The authors, with their colleagues in the Community Development and Policy Studies division of the Federal Reserve Bank of Chicago, are extremely grateful to the individuals who participated in, and helped organize, the focus groups and gave generously of their time, perspectives, and expertise.

Appendix: Methodology

In order to better understand what small- to mid-size cities, many with a manufacturing legacy are doing to advance positive labor market outcomes for their residents, the authors, in partnership with the Funders Network for Smart Growth and Livable Communities convened a series of focus groups around the Federal Reserve's Seventh District with leaders in some of the region's smaller cities.

For the purposes of this study, we did not offer a single definition of economic inclusion; rather, we formed a working definition with input from participants – the first question asked in each focus group was, "How do you define economic inclusion?" Additional context for defining economic inclusion came from other definitions found in a short review of the inclusive economies literature. A few common elements emerged from the combination of participant statements and existing literature:

- Economic growth is a necessary but not sufficient condition to foster economic inclusion.
- Economic inclusion is not about redistributing the benefits of economic growth; it is, instead, an ingredient of a more durable strategy for growth.
- Economic inclusion requires economic development strategies that break down barriers and deliver opportunities to underserved populations, placing responsibility on places and institutions rather than individuals.

We focused our discussion on exploring 'economic inclusion' to align it with other comparable discussions and studies. We sought to better understand the ambitions of city leaders of older, primarily smaller, Midwest cities, and what they see as challenges and opportunities. Economic inclusion has become an aspirational imperative for places, especially those that have diligently pursued strategies of economic growth only to find that economic well-being did not improve for all residents. Growth alone does not address underlying challenges of equity and opportunity.

For this study, the emphasis was on cities, and primarily on smaller cities (of less than 250,000 population), including many that are not within a major metropolitan area. Because these conversations took place in the Midwest, these cities often have a manufacturing legacy and have unique histories as destinations for blacks during the Great Migration (roughly 1910 to 1970), which has an impact on their labor experiences and profiles. Of course, cities are also intrinsically linked to their regions in terms of labor market characteristics, and therefore discussions about cities must take their regions into account.

The authors organized focus groups around the Seventh Federal Reserve District in order to explore how the understanding of and movement toward economic inclusion is evolving in those places and, in turn, what could be learned that could be shared or scaled. The focus groups included 215 participants. Focus group size ranged from seven to 18, with an average of 13 participants. Focus groups took place in a variety of communities, ranging from smaller midwestern urban centers to larger cities serving as economic hubs. Almost all focus group sites have a history of manufacturing employment as a prominent feature of their local economy (although some were also home to universities that played a significant role in their economies). Focus group sites were selected to ensure that each state served by the Federal Reserve Bank of Chicago was represented, and to take advantage of the strength of local community development relationships with the community development team at the Federal Reserve Bank of Chicago. The communities visited also displayed ranges of prevailing local economic conditions including population growth to population decline and from tighter labor markets to communities with lower employment-to-population ratios.

Focus groups were held in the following locations between September 2017 and January 2018.

- Rockford, Illinois
- Fort Wayne, Indian
- Peoria, Illinois
- Bloomington, Illinois
- Normal, Illinois
- South Bend, Indiana (3)
- Milwaukee, Wisconsin (4)
- Aurora, Illinois
- Lake County, Indiana
- Decatur, Illinois
- Champaign, Illinois
- Flint, Michigan
- Cedar Rapids, Iowa

Local project partners that hosted the focus groups included economic development intermediaries and local community foundations. Focus group participants included a broad range of community stakeholders, such as:

- City economic/community development
- Other city departments
- Elected officials
- Private sector business
- County economic development
- Community development sector (local community development organizations and intermediaries)
- Higher education
- Workforce development
- Chambers of commerce
- Primary/secondary education
- Social services
- Philanthropy

Within these parameters, the exact composition of the group was largely left to the discretion of the local organizer. A standard list of questions was asked, although not always in the same order, allowing the conversation to flow organically while still ensuring that all topics were covered. These questions included:

- How do you define economic inclusion?
- Is there a conversation taking place in your community about economic inclusion, and who is participating in that conversation?
- What has motivated current conversations about economic inclusion?
- What are some barriers to achieving economic inclusion?
- What strategies are used in your community to promote economic inclusion?
- What would success look like? How would it be measured?
- If you could wave a magic wand to change one thing or make one thing happen that would advance economic inclusion in your community, what would you do?

During this project, we partnered with the Funders Network for Smart Growth and Livable Communities. Alicia Kitsuse, director of what was then the Older Industrial Cities working group (since renamed the Inclusive Economies working group), represented the Funders Network at each focus group site to learn about strategies or initiatives that could be supported at the local level.

Each focus group discussion was recorded and transcribed. Participants were assured of their anonymity. Three researchers then coded the transcripts of each focus group using a qualitative data analysis computer software package, looking for key themes that cut across places or along labor market conditions. Direct quotations from each focus group were associated with one or more of the emerging themes. Some quotations were lightly edited for grammar, fluency, and to maintain anonymity. The researchers summarized each theme for dominant perspectives on each category, with notes on how these perspectives seemed to shift according to the place the focus group occurred, the persons expressing those views, and the contextual conversation surrounding each expressed opinion or anecdote. A first set of preliminary findings was released in early 2019.[2]

Notes

1. The Seventh District of the Federal Reserve System includes all of Iowa and parts of Illinois, Wisconsin, Michigan, and Indiana.
2. Longworth, Susan, Taz George, and Mark O'Dell, 2019, "Preliminary findings from focus groups on economic inclusion in smaller cities," *ProfitWise News and Views*, Federal Reserve Bank of Chicago, available at https://www.chicagofed.org/publications/profitwise-news-and-views/2019/preliminary-findings-from-focus-groups-on-economic-inclusion-in-smaller-cities.

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