

# Profitwise

## News and Views

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### Strategies for Improving Economic Mobility of Workers

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# Profitwise

## News and Views

*Profitwise News and Views* welcomes article proposals and comments from bankers, community organizations, and other readers. It is mailed (either electronically or via U.S. mail) at no charge to state member banks, financial holding companies, bank holding companies, government agencies, nonprofit organizations, academics, and community economic development professionals.

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# Strategies for Improving Economic Mobility of Workers:

*A conference report*

by Maude Toussaint-Comeau

The issue of economic opportunity for the disadvantaged has grown in importance. We've witnessed

healthy job creation rates in recent years, and by almost all measures American workers, overall, have gained economic ground. Yet, at the same

time, it's also well known that inequality in economic

outcomes has increased. Those at the bottom of the

income distribution have not grown as fast as those on the top, and may even be stagnating. These trends imply that segments of the

labor force have relatively more limited chances for economic mobility.

The adverse consequences of substandard wages and poverty on

individuals, families, and communities are numerous and interconnected. Families

with low to moderate income generally have little in savings to deal with unanticipated events, such as the loss of a job or a serious health problem. They are less likely to have

a bank account or become home owners, and they have much lower than average

household wealth.<sup>1</sup> Children in poor families receive lower-quality child care and health

care, and they are exposed to a less stimulating learning environment in the home.<sup>2</sup>

Living in a poor family increases the chances of living in a poor neighborhood. As research by the

Brookings Institution suggests, nationwide about one in ten individuals below the poverty line in

2000 lived in communities with geographically "concentrated poverty," where at least 40 percent of the population is poor.<sup>3</sup> Forty-six of the nation's 50 largest cities contained at least one such

neighborhood. Many of these neighborhoods lack adequate housing, jobs, business and financial

services, and transportation infrastructure. As a result, residents tend to face higher local prices for goods and services. Living in distressed neighborhoods also increases one's exposure to health hazards and violence.

Given these trends, how can economic opportunities be improved for workers and households in poor communities?

There are no simple solutions, and research should help to design more efficient and effective policies for helping low-income workers and the poor.

In November 2007, the Chicago Fed, in partnership with Upjohn Institute for Employment Research, co-hosted a conference that opened the door to an informative dialogue on how to promote economic opportunities for disadvantaged workers. This conference was a good example of the two institutions' standing commitment to and interest in facilitating the development of informed public policy. The conference assembled a diverse mix of researchers and practitioners who exchanged a wide variety of viewpoints and perspectives. Presentations covered analyses of current and past trends on poverty, wages, and occupations in the United States, as well as the latest research on trends in income assistance for poor, working families with children.

They also discussed research on the evaluation of training programs targeted at specific sectors, and vocational training programs for “hard to employ” individuals and low-income adults. Presenters further tackled questions surrounding education, financial aid, employment prospects for disadvantaged workers, and on the spatial mismatch between residents of poor communities in inner cities and locations experiencing job growth that are not in the inner cities. Also discussed were the different channels by which housing initiatives could potentially affect economic and social outcomes for disadvantaged populations.

The conference provided a forum for researchers, public officials, and community development practitioners to discuss meaningful ways to promote economic prospects for the disadvantaged. One objective of the conference was to help unify efforts in research, policy, and practice arenas on this important topic. Among the panelists were practitioners representing work force development organizations, who shared their insights regarding effective (and ineffective) methods and strategies, and the power of public and private partnerships.

Given the broad scope of the conference, this article is not intended as a comprehensive summary of the event. It focuses on selected academic presentations and papers from the conference that explored trends affecting low-wage earners, as well as the particular circumstances of some vulnerable populations, including “hard to employ” individuals. This article also provides a summary of discussions and information shared by the panel of workforce development practitioners, as well as the panel of researchers that discussed issues involved with community-based program evaluations. The article concludes with some broad insights on what was learned, and on future research and programmatic opportunities.

## **Trends in the “material circumstances” of low-wage workers**

This panel’s intent was to set the stage by having economists provide an overview of the research surrounding the “material circumstances” of low-wage workers and “disadvantaged” populations in the U.S. These trends provide the background for policy considerations discussed for the situation of workers today. As Bruce Meyer, who provided a summary in a special paper prepared for the conference, noted, by “material circumstances, one has in mind not only wages, income, and poverty, but also food consumption, housing quality, purchases of other goods, and access to health care.”

David Autor and Alan Berube, the two researchers in the first session, argued that increased inequality has been evident in most aspects of the “material circumstances” of workers

Alan Berube of the Brookings Institution in his presentation/paper, “Geographic Dynamics in Income and Poverty: Recent U.S. Trends,” noted that regional growth in productivity, employment, and changes in poverty have been uneven. While cities continue to have higher poverty rates than suburbs, suburban growth has meant that most of the poor now reside in suburbs. He indicated that when poverty rises, it does so more for children. He also noted that poverty became less concentrated in certain neighborhoods within cities during the 1990s, but this pattern appears to have reversed so far during this decade.

In that same first session, Peter Gosselin of the Los Angeles Times examined the issue of trends in income volatility and income risk. He reported results of a paper, “Trends in Income Volatility and Risk, 1970-2004,” in which he and his coauthor, Seth Zimmerman, find a substantial increase in the transitory variance of family income over

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## **From 1989 through 2005, wage growth was polarized, with high growth at the bottom and the top, and little growth between the 30th and the 70th percentiles.**

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(despite some overall improvements). Autor in his presentation/paper, “Past Trends and Projections in Wage, Work, and Occupations in the United States,” argued that hourly wage growth from 1973 through 1989 fell at the bottom and grew modestly at the top. From 1989 through 2005, wage growth was polarized, with high growth at the bottom and the top, and little growth between the 30th and the 70th percentiles. Autor suggests that the growing use of computers is a large part of the explanation for this pattern. He suggests investments in human capital to take advantage of likely future growth in education-intensive “abstract” jobs.

time. He concludes that based on this research that economic uncertainty and vulnerability has increased. (Bruce Meyer noted in his paper “Comments and Reflections on Economic Mobility and Policy,” that the research community has not concluded unanimously on the issue of volatility and how to interpret trends in volatility.)

## **Disadvantaged and “hard to employ” individuals**

Alex Kotlowitz, in a keynote speech/essay<sup>4</sup> prepared for the conference, speaks to the particular challenges of youth in inner cities, as they confront

violence, a lack of role models, low school quality, and lack of employment. He noted that investment in early childhood education programs like Headstart and rebuilding of urban communities by “bringing jobs back into these communities” are key to addressing the problem.

Along the same line, Harry Holzer in his presentation/paper, “What Might Improve the Employment and Advancement Prospects of the Poor?” discussed the research that has documented the particular circumstances of black men from low-income families and poor neighborhoods who fail to attach regularly to the labor market at all. He noted that while the employment rates of single poor mothers improved quite dramatically in the 1990s, the labor force activity of less-educated black men continued to decline, as it has for each of the past several decades. In his paper he reviews some research evidence on the causes of low earnings among the working poor and weak labor market activity among low-income men. He noted that poor workers have very limited access to good jobs. This lack of access can be attributed to lack of information, lack of informal contacts, transportation challenges, and employer discrimination. He stated that millions of low-income (especially black) men fail to develop consistent labor market attachments for a variety of additional reasons. Growing up in poor and fatherless families and in highly segregated schools and neighborhoods, many boys and young men fall behind quickly and then “disconnect” from school at very early ages. Once this disconnection occurs, these young men often fail to further develop their skills or complete school, and many obtain very little formal work experience of any kind.

**Continued on page 6.**

## **Strategies for Improving Economic Mobility of Workers Conference: Keynote Speech**

by Alex Kotlowitz

In this essay, I want to speak to the forces bearing down on those growing up in our urban centers, those growing up in places where the promise of opportunity is often a myth. These are the very individuals who as young adults we want to help guide into fulltime employment – employment that is not only meaningful, but employment that holds some possibility of advancement, employment that holds a sense of future.

### **Before I enter this terrain though I want to offer two thoughts to ponder.**

The first is this: in considering how we get people who have been out of the mainstream into full-time employment, we need to be able to talk about personal responsibility alongside collective responsibility. Clearly, the very reason for this conference is that we all have some responsibility to try to level the playing field, to open up opportunity. But as we talk about getting the hard-to-employ to work, we should think about that intersection between collective and personal responsibility. With the former, for instance, it seems impossible to hold a conference like this and not talk about some kind of public jobs program; and with the latter, to put it in colloquial terms, it seems impossible to talk about job mobility without talking about how much slack we should cut those who are most in need. Or can we afford to cut any slack at all?

The second thing I want to mention before proceeding is this: work matters. Not only does it matter, but it's essential. Work is the very thread that holds the social fabric together, and without work that fabric unravels.

William Julius Wilson in his groundbreaking book, *When Work Disappears*, talks about the reality of work and the culture of work. The reality of work is self-evident. Work provides income – for food, shelter, and clothing. But there's also the culture of work. Work provides a sense of purpose, a sense of identity. It connects us to the world around us. It gives order to our lives. It provides a temporal sense, a beginning, middle, and end to our days, and to our weeks. Without work, we begin to lose all of that. We lose a sense of purpose. We lose a sense of identity. We lose a connection to the world around us. We become more isolated. And we lose a temporal sense. Our weeks and our days begin to melt into each other. This is critical to consider as we discuss the forces bearing down on the very young men and women this conference is aimed at. These are young men and women who share the notable characteristic that work – especially meaningful work – is absent from their lives and from their communities.

Even after 20 years reporting and writing from our inner-cities, I don't pretend to fully understand what it means to grow up poor in this country. Nor do I have the answers for how best to get young men and women from these communities into the workforce. But what I do know is that when it comes to the great American ideal of equal opportunity, we've come up short. So our aim should be to try to chart a course that leads us from myth to promise. In order to do that we first must try to understand, to borrow a phrase from the novelist Tim O'Brien, the things they carry. What shapes those who grow up in our urban centers, poor and along the margins?

One thing that has become clear to me over time is this: in our urban centers, communities have begun to breakdown. When I first began to spend time on Chicago's West Side, I met adults who didn't want to talk to me, who distrusted outsiders. That I expected. But what did surprise me was the distrust between neighbors. In my book, *There Are No Children Here*, I spent two years with two young brothers, Lafayette and Pharoah Rivers. They were 12 and 9 respectively when we began to hang out together. Early on, I asked Lafayette, the older of the two, if he would introduce me to his friends. He told me, "I don't have friends, I just have associates."

These are neighborhoods, too, that lack the very institutions most of us take for granted, the very public and private institutions which help create community. Adding to this spiritual isolation is the geographic isolation. We live in cities which are as segregated as they were 40 years ago. Some even more so.

This cuts to the American paradox. We like to think of ourselves as connected to each other, as part of this larger community, but in fact what's so striking about America is how disconnected we are from each other and from the world around us. At the end of the day, we really have very little to do with each other, and such distance breeds misunderstanding, if not outright mistrust. In ravaged communities, that distrust can extend not only to outsiders but also, as I mentioned earlier, to neighbors.

Connected to the unraveling of community is the stubborn persistence of violence. We have completely underestimated the effect of the violence, both on the human spirit as well as on community. It takes only one single act of violence to create an imprint around which the rest of a childhood will revolve.

What I saw in the children I spent time with on the West Side is the very same kind of post-traumatic stress-disorder we have seen in veterans returning from combat. I saw children who were aggressive, who acted out conflict in violent ways. I saw children who suffered from depression. In fact, it's not at all unusual to see young boys with dark circles under their eyes, kids who clearly have trouble sleeping. I saw children who were hyperactive. In fact, a common complaint among elementary school teachers is of children virtually bouncing off the walls. Such hyperactivity is a direct consequence of trauma. I saw children who had flashbacks – as well as physical problems. When the gunfire would become more frequent, Lafayette would complain of stomach pains and Pharoah's stutter would worsen.

Among these children, there was a strong foreboding that they might not make it to adulthood.

When I asked Lafayette what he wanted to be when he grew up, he told me, "If I grow up, I want to be a bus driver. If, not when." This belief that the future isn't guaranteed leads young people, especially teenage boys, to act recklessly. They lose the ability to consider where they might be six months in the future, let alone where they might be in six years. Moreover, as a result of the violence, they're often unable to build meaningful relationships in their lives, which is reflected in Lafayette's reference to his peers not as friends, but as associates. Of course, the stubborn persistence of violence unravels communities, and shattered communities become ripe terrain for violence. The two circumstances feed on each other.

Finally, I think it's worth considering the silence that surrounds these neighborhoods. There are two dimensions to this. There is the institutional silence that surrounds the lives of children like Lafayette and Pharoah, an inability on the part of institutions – like the schools, the police, the local politicians, the courts, and the health care system – to respond to what has become a weekly, if not daily, crisis in the lives of the children. But there's also a more subtle, and perhaps more insidious self-imposed silence, an unwillingness of people living along the margins to share their stories. What I've come to realize over the years is that there's a fear among many that if they share their stories they won't be believed. I've been confronted with this time and time again. It's the most painful and destructive kind of silence there is, the kind that will slowly strangle the life out of an otherwise spirited people. What it says to me is something very, very simple: we've stopped listening. We've stopped believing.

Given all this, how do we think about the young men and women we are talking about at this conference? The first thing I'd suggest is that we have to start listening, to start believing. On the most practical of levels, that means it's not enough just to say to a young man, say, from Chicago's West Side, "I have a job for you. Just be here at 8 a.m. every day. Wear a shirt and tie. You have a half hour for lunch. Some days we may need you to work late. If you have any questions, you come see me." Think back to your first job. I'm sure you were intimidated – by the other employees, by the boss, by the new rules. But I suspect you also had someone to lean on, either your parents or an older sibling, who could help you navigate this new world.

That's not the case for the population we're talking about. Many, if not most, are without role models, without mentors. They come from what my friend Jack Wiest calls "a culture of joblessness." They come from a community where they may not know anyone who has a career. We need to provide a mentor, a guide for that young man

or woman, someone whom they can confide in, someone who can help them interpret this new terrain, someone who can share their own experiences.

Why not employ a model used – quite successfully – for first generation college students? It's called the posse program. A group of high school seniors form a support group. They meet the summer before their freshman year, and during that time are given, in essence, a roadmap to the college experience. Once at school, they become like a team, each leaning on the other, for guidance, for reinforcement, for friendship. Many of these young men and women don't know an adult who's been to college. It's also understood that colleges, while excited to have them on campus, may be ill-equipped to handle the kinds of issues many of these young adults may experience or have already experienced. These first generation students may have pressures at home that distract them – or worse yet pull them away from school. They may misinterpret signals from a professor or from another student. They may have low expectations for themselves. They may just want to give up. And yet they have each other to lean on. This seems like such an analogous experience to those who are entering the workforce for the first time. These are young men and women who have had to tangle with all that I've written of earlier – and who may feel ill-equipped to deal with the unfamiliar. I've wondered whether something similar to the posse program makes sense in the workplace. Pull together a group of young men and women. Let them get to know each other. Then have them enter a workplace together. They'll have each other to lean on. They'll have someone to whom they can turn to, someone who will listen and who will believe.

Work, itself, can also raise new issues. I've seen young men who have made it out, who had graduated from college, and found their way into a career. They were celebrated for their success. But such accomplishment creates burdens, as well. Suddenly family members lean on you for support – and for cash. And the harder you work, the more money you make, the more other family members ask for. I know of one young man who literally put some physical distance between him and his family by moving from Chicago to New York. I know of a young woman who had the strength to say to no family requests for money, and as a result has been ostracized by her mother and by her sisters and cousins. Fear of becoming the sole support for an extended family can lead some to sabotage their own trajectory. The pressure becomes too intense. I've seen it happen time and again.

Earlier on, I posed the question: how much slack do we cut people – or in fact do we cut them any slack at all?

I often hear this from potential employers, though not necessarily in such direct terms. My response is that it's not the question we should be asking. Rather, it's how do we get young men and women to a place where we demand of them what we demand of other employees – while also acknowledging the forces bearing down on them? Whether it be a troubled family, or the inability to find affordable housing or the difficulty navigating a path to work that would avoid a neighborhood gang, or finding childcare. It all seems so obvious, I know, but too often we think that all we need do in the end is offer a job for every employable person and we'll be okay. But as most of us know that's not the case. We have to offer peer support and guidance and mentoring, all with a full understanding of what they're tangling with.

In the end, if we're serious about reintroducing work into the lives of young men and women coming out of a childhood marked by violence, by distrust, by loneliness, by low expectations, by poor education, it seems rather self-evident that we must do something to reshape that childhood. There's been recent work by economists that suggests if we want to seriously tackle the issue of employment, we have to invest in early childhood education programs like Headstart. I would take it a step further. If we want to seriously tackle the issue of employment, we have to invest in the rebuilding of our urban communities – both physically and spiritually.

Much of the decline in urban communities has to do with the disappearance of work, so we must strategize on two fronts: one, find ways to fortify communities and to fortify the human spirit, with special attention on children by diminishing the violence they face and reinvigorating schools; and second, find ways to bring jobs back into these communities and get people to work. One requires the other.

## BIOGRAPHY

*Alex Kotlowitz is best known for his award-winning nonfiction book, There Are No Children Here, for which he received the Helen B. Bernstein Award for Excellence in Journalism, the Carl Sandburg Award, and a Christopher Award. It was the subject of a 1993 television film for ABC starring Oprah Winfrey, and was listed as one of the 150 most important books of the century by The New York Public Library. Formerly a staff writer for the Wall Street Journal, Kotlowitz covered urban affairs and social policy. His investigative articles appear regularly in publications including The New Yorker and The New York Times Sunday Magazine. He teaches writing at Northwestern University.*

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Furthermore, they also become more likely to engage in other detrimental behaviors, like illegal activity and fathering children out of wedlock. The combination of criminal activity and unwed fatherhood almost guarantees that these young men will become incarcerated and also receive child support orders. Upon release from prison, their ex-offender status will further inhibit their labor market prospects, as employers become even more reluctant to hire them and as their own skills and labor market contacts have further depreciated.

John Tyler, in his presentation based on a co-authored paper, "Correctional Programs in the Age of Mass

he asks. They are also being released into a different economy. We have very low educated, very low-skilled individuals being released into a high-skill economy. Sixty percent of the prisoners in the state and federal prisons lack a high school diploma.

### Policy implications

In response to the trends in wages and income and their particular implications for the low-wage workers (or the working poor), two types of policies came up repeatedly: education or other human capital building, and work subsidies, such as the Earned Income Tax Credit (EITC). Both Autor and Berube mentioned investing in human capital. Indeed, the bottom line

EITC sharply increased the employment of single mothers, and for much of the recent period has had perhaps as big a role in employment changes as welfare reform. She suggests that we should consider expanding the EITC. There are obvious groups that do not especially benefit from the current EITC such as single men and women, and even some low-income married couples. Bruce Meyer proposed one addition to these possible EITC reforms. The current benefit structure is the same for those with three or more children as for those with two. He proposes that there should be a more generous schedule for those families with three or more children. They appear to be particularly needy because they have fewer resources from which they are able to devote to food, housing, and other consumption, compared to single mothers with two or fewer children.

Many presenters, researchers, and practitioners discussed programs that provide employment training and assistance, and that generally fall under the umbrella of "workforce development," as ways to address specific needs of targeted disadvantaged individuals. Workforce development involves a combination of approaches to address the need of individuals who have particular problems accessing the job market. Burt Barnow, who participated in the panel on evaluation gave a presentation/paper titled, "What We Know about the Impacts of Workforce Investment Programs," providing a brief history of these programs. He noted that employment and training programs in the United States have a relatively brief history. In addition to the public employment programs of the Great Depression, the Manpower Development and Training Act (MDTA) [1962-1972], the Comprehensive Employment and Training Act (CETA) [1973-1982], the Job Training Partnership Act (JTPA) [1982-1998], and the Workforce Investment Act (WIA) [1998-present] have provided vocational training,

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## ...we are still left with tough decisions about whose human capital should be enhanced and what skills they need.

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Incarceration: What Do We Know About What Works," makes the case for why one cares about these individuals. He gave some statistics on the number of people who are incarcerated – roughly 1.5 million people are in our federal and state prisons, and by the time you add jails, it adds up to about 2.2 million people. He asks, "What's the relevance of this?" As criminologist Jeremy Trotter says, "They come back." Ninety-five percent of these people will be released from prison, the bulk of them into already distressed communities. About 650,000 per year are released from incarceration into our communities and neighborhoods around the nation. The people who are released tend to have low education attainment, tend to be minority men, and tend to be quite young. "So what's the relevance of this?"

from Alan Blinder, who gave a keynote lecture on outsourcing, was that we need to think about how we educate the next generation of workers. Both Autor and Blinder said it was hard to predict what industries and occupations will see rises or declines in the future and when. Bruce Meyer noted in his impression of the exchanges that we are still left with tough decisions about whose human capital should be enhanced and what skills they need. We have general predictions, but few specifics. We still have little guidance from research to date on these questions.

Hilary Hoynes focused her paper/presentation, "The Earned Income Tax Credit, Welfare Reform, and the Employment of Low Skill Single Mother," primarily on EITC. She reports that the

remedial education, subsidized on-the-job training, and job search assistance to disadvantaged youth and adults, as well as displaced workers. CETA also provided public service employment.

Harry Holzer in his presentation/paper, "What Might Improve the Employment and Advancement Prospects of the Poor?" advocated enhanced workforce development programs. He suggested that the prospects of the working poor would be better served by a combination of further job training, job placement assistance, and other supports and services that would promote access to better jobs in the labor market. Community or vocational colleges provide credentials respected by private sector employers, although work experience in the relevant sector might also be necessary. And, since there are relatively high-paying jobs available in certain sectors of the economy, labor market intermediaries should focus on strategies to help link workers to existing jobs with employers, particularly those engaged with and supportive of these organizations. The intermediaries – which can include community-based organizations or various nonprofit or for-profit organizations – might direct workers to the relevant sources of training, and then to employers who will hire them. These strategies now come in many forms. They include: sectoral training; incumbent-worker training, career-ladder development, and apprenticeships and internships.

For the "hard to employ," Holzer recommended boosting efforts to serve ex-offenders, including prisoner reentry programs, like the Center for Employment Opportunity, that provides a paid but temporary "transitional job" for each participant, and legislative efforts to reduce the many legal barriers at the state level that limit employment options for ex-offenders. Further Holzer advocated strategies to improve early outcomes and prevent disconnection, such as youth development efforts aimed at adolescents (like Big Brothers/Big Sisters or the Harlem Children's

Zone); creating "multiple pathways to success" in high schools, including high-quality Career and Technical Education (CTE) options (such as the Career Academies and apprenticeships as well as those stressing direct access to higher education; "second chance" programs (like YouthBuild and the Youth Service and Conservation Corps) and dropout prevention or recovery efforts; and the resurrection of community-based models like the Youth Opportunity program, which created employment centers in low-income neighborhoods that tracked at-risk youth and referred them to available services. Below we highlight specific examples of programs, and related comments of practitioners.

### Workforce development programs

A panel of workforce development researchers/practitioners discussed various experiences running special programs. They shared their opinions regarding the challenges, but also what it takes to be successful. In particular, they focused on how partnerships, primarily public-private partnerships, help to leverage resources, build capacity, improve flexibility, foster creativity, and improve outcomes. The panel included; Bob Giloth, the director of Family Economic Success at the Annie E. Casey Foundation; Evelyn Diaz, deputy chief of staff to Mayor Daley; Don Sykes, the president and CEO of the Milwaukee Area Workforce Development Board; Bob Straits, administrator of the Upjohn Institute and director of the Kalamazoo County and St. Joseph County, Michigan Works Service Delivery System; and Brenda Palms-Barber, CEO of the North Lawndale Employment Network in Chicago.

Maria Hibbs, executive director of The Partnership for New Communities (The Partnership), moderated the session. She began with a brief description of The Partnership, which, according to Hibbs, is a collaboration of individuals that lead some of Chicago's key institutions and businesses. The Partnership focuses on large scale community revitalization in Chicago

neighborhoods, such as the transformation of public housing. Examples include Cabrini-Green, the Henry Horner homes; the construction of almost 7,000 units of mixed-income housing; and the rehabilitation of all public housing in the city. Hibbs noted "As with any initiative that is as big as the plan for transformation, there are positives, there are things that don't work as well, there are issues, concerns, challenges; and that's one of the reasons the collaboration of civic and business leaders was established, to help with that." She stated that the idea behind transformation is not only to build the environment, it is also transforming people's lives by giving them new opportunities and ending "residential and job isolation."

Bob Giloth provided a high-level discussion of the importance of partnerships, particularly for workforce development. First, he noted that an important obstacle in the workforce field is "multiple silos." As he stated, "A few years ago, GAO counted a hundred different federal workforce programs. Pennsylvania alone had 49. In neighborhoods, you often see seven or eight public investors spending eight to ten million dollars with different, unrelated objectives, and different perceptions of the problem." The lesson to learn: "It is important to make these pieces work together, because it's not simply an inefficient use of money, it means that the transitions for a lot of the folks we work with are not well crafted."

Giloth argues that workforce development needs to have partnerships. These partnerships should facilitate career pathways for individuals, if they are to contribute to mobility – a pathway that an entry level worker can work on all the way up through a set of intermediate jobs to more skilled jobs. There's a similar kind of pathway that should be sought at a neighborhood level—a pipeline for people who are disconnected from work. There may be a need for greater literacy, there may be

a need for housing, and there may be a need for even legal work. All of these needs are to be taken into consideration before someone can, not simply get a job, but hold it in the long term. Efforts to promote college attendance as an approach for people to move up in the economy are also warranted. Giloth noted more recent partnerships emerging around the country that organize philanthropic partners to support workforce intermediaries. An example is the Skill Works project in Boston. Finally, he argued that there should be allowance for “constructive failures in the field of community economic development,” the intention to learn from mistakes.

Evelyn Diaz discussed two of Chicago’s largest scale public-private efforts in workforce development – Opportunity Chicago, which Maria alluded to earlier, and then Mayor Daley’s newest economic and workforce development initiative, Chicago LEADS: Chicago Leading Economic Advancement Development and Sustainability (Chicago LEADS). She added that Opportunity Chicago is an initiative that aims to prepare and place residents of our city’s public housing authority into good jobs. According to Diaz, the initiative has been very successful to date in bringing together a diverse group of government agencies and workforce development experts to design and implement a large scale employment program for public housing residents. The first aspect of the public-private partnership that works for Opportunity Chicago is the fact that such partnerships allow for funding collaboration. For example, The Partnership for New Communities is the private funding partner responsible for pooling funds from private corporations and foundations for Opportunity Chicago. The private sources of funds motivate public sector stakeholders to fund, and leverage other sources of funds for the initiative. The other aspect of public-private partnership in Opportunity Chicago, Diaz explained, is the “initiatives

and player engagement strategy.” This is a strategy whereby they work with employers in key sectors to inform the development of their training programs.

The other initiative Diaz talked about (Chicago LEADS in the 21st century) also follows the funding collaborative and employer engagement method. It is a two-year (to be expanded) initiative aimed at getting the city colleges of Chicago, and Chicago Public Schools to cross communicate and align occupational demands in Chicago’s key industries – hospitality, health care, transportation, warehousing, logistics, finance, and insurance. Overall, the key principle driving Chicago LEADS is that the workforce system should be demand driven.

Donald Sykes summarized issues that the Milwaukee area faces. He noted that Milwaukee “has a 26 percent poverty level in the city, higher in the inner city; black male unemployment is close to 50 percent. Eighty-five percent of the state of Wisconsin’s TANF recipients live in Milwaukee County.” The major challenge therefore is to create jobs. The community must take a comprehensive course of action toward job creation and access, considering and incorporating related services, including transportation, addressing driver license issues, child care services, and youth programs. He said that the first step effort in getting people to work is to help them “get organized and reduce the tension in their lives.” To foster efforts to get people to work, it is important to leverage and support the skills and services of community-based organizations already in place. He stressed the need to assess and account for funding to community-based organizations. For example, as he phrased it, “If you put money out to say we’re going to fund for X, then half of those agencies will say, we do X; and so what we’re trying to do is stop that by saying, we will fund you, but we want to fund you for the things that you know how to do, and we want to target it so it can be accountable.” He noted that Milwaukee County is trying to integrate

workforce development in its overall economic development strategy. This includes providing minority-focused and set-aside programs, and incentives for developers to embrace and fund workforce development strategies.

Robert Straits began by explaining the context in which his organization operates its workforce development program. The Michigan Workforce System has 25 service delivery areas, and each of those areas has a workforce board. In Michigan, Department of Corrections funding for job training, TANF dollars, career education dollars, and WEA dollars all are under that umbrella. About four years ago, their workforce board saw that their retention rate for welfare recipients was only 37 percent. The board sought to develop a model program that would address retention. They engaged researchers to identify best practices; they talked to practitioners, held focus groups, and gathered information through other means. Employers said that they want people who arrive at work on time, ready to work every day, and that have basic math and reading skills. They learned that in addition to low education levels, transportation, child care, and other matters also impact job retention. In summary, related needs went far beyond job placement. Subsequently, the board instituted through the steering committee an initiative called “reality check,” whereby staff would visit potential employers and spend time learning about the day-to-day nature of jobs to which clients would be referred. Through a number of filters and assessments, Straits stated, “We ended up having classes with people who seemed very interested in these jobs, who passed drug tests, who passed the various hurdles that one has to pass in order to be successful in getting these jobs in the first place.” The retention rate has improved to roughly 86 percent. The “reality check,” Straits emphasized, is very valuable. “By going through some form of reality check, we know what the job is going to be. This

reduces the chances that the person placed will fail." Straits also shared the experience with the Workforce System's prisoner reentry program, and subpilots of the prisoner reentry, such as one geared for children of the incarcerated individuals.

Brenda Palms-Barber, of the North Lawndale Employment Network, began by presenting some of the demographics of North Lawndale. She noted that "North Lawndale is 94 percent African-American, and about 4.5 percent Hispanic or Latino. The median income household is about \$18,000. Essentially, North Lawndale continues to be one of the ten poorest communities in Chicago... 57 percent of the adults in the community had been involved with the criminal justice system on some level..." The mission of the North Lawndale Employment Network, Palms-Barber explained, is to improve the earnings potential of community residents through innovative employment initiatives. To achieve that goal, she noted, they had to address the issue of the impact of incarceration in the community.

In response to the need, the Network instituted a program called, U-Turn Permitted. It is a job-readiness program specifically designed for former offenders. Two years into operating that program, they presented a demonstrated outcomes model to the city, and were able to secure CDBG funding. Eventually, they received WEA funding, and have now been operating U-Turn Permitted for nearly seven years. Today, that program serves over 350 former offenders. Palms-Barber explained that they have learned that the biggest retention losses are between the first and 30<sup>th</sup> day on the job. The Network places special emphasis on keeping clients on the job, through their workforce coaches, for that critical 30-day period.

Palms-Barber talked about a partnership between the Illinois

Department of Corrections, Ben and Jerry's Ice Cream, the Boeing Company, and the City of Chicago, that provided funds to help launch "Sweet Beginnings." This is a social enterprise, an LLC, subsidiary of the North Lawndale Employment Network. The goal is to establish a formal work history for individuals who don't have one, to provide productive work habits, to have people gain marketable skills as a stepping stone to further their employment and career opportunities. Palms-Barber noted that Sweet Beginnings started out being able to hire 10 employees, and now will be able to hire 100 former offenders a year, 25 per quarter. Eventually, the goal is to transition these workers into unsubsidized employment. Palms-Barber concludes that private foundation support allows her organizations to have the "flexibility to build, the flexibility to incubate and innovate new approaches, and to learn from our work, and time to build a model that can demonstrate outcomes... those (foundation) names really give credibility to your work, and it helps other funding to come along."

### **Challenges in evaluating community-based programs**

A panel of economists discussed the state of research on work training and related program evaluations. The purpose of that session was to share with those managing programs who are interested in measuring impact, the latest research and findings derived from program evaluations. However, given the broad array of existing programs, there is no finding regarding their general effectiveness. Burt Barnow, one of the panelists on evaluation in his presentation/paper titled, "What we Know about the Impacts of Workforce Investment Programs," highlighted several programs that have been evaluated and noted that most of them have had either no impact or modest positive impacts. Many do not pass cost/social benefit tests, though

he contends some that fail may be worth doing on equity grounds. He also noted that existing research evaluations have important analytic limitations that bias them in favor of programs with short-term impacts and large spillover effects on nonparticipants via displacement or price changes. Research findings broadly indicate that employment and training programs work best for adult women and least well for youth. The literature provides no good explanation for this demographic pattern.

John Tyler of Brown University covered research conducted to assess the effectiveness of programs designed to help ex-offenders reintegrate into mainstream society. He argued that the relatively low quality of correctional program evaluations that has been the norm until recently has left researchers uncertain as to which types of programs work. Nonetheless, some important lessons derive from recent evaluations, such as the SVORI and the CEO evaluation projects. First, it is very difficult to impact significantly the lives of adult offenders. (Research that seriously tries to account for "positive selection" into rehabilitative programs is often unable to reject the null hypothesis of no program effect on outcomes, by labor market outcomes or recidivism.) He added further that the SVORI evaluation revealed that there is a paucity of programs in prison, and that this is not surprising given the institutional realities of prisons and prison life that make it difficult to deliver rehabilitative programs as originally designed. Further, early results of the CEO evaluation that show no employment effects, but substantial recidivism effects, suggest the need to re-think how employment program elements might be better designed to reduce recidivism.

In Robert LaLonde's (University of Chicago) presentation, "Evaluating Community-Based Programs," he discussed the problems and challenges associated with evaluating community-

based programs. He argues that the results derived from small community-based programs, though seemingly insignificant in a broad sense, do have meaningful impact. This is what he calls “an evaluation problem.” The cost of performing a rigorous evaluation that accurately quantifies impact may be too high for practical purposes. Nonetheless, these programs have shown positive results. Evaluation is hard analytically because there is missing data and a “selection problem” among evaluators.<sup>5</sup> LaLonde emphasizes that it is not a good strategy to attempt to evaluate all programs. He noted that often programs are threatened by political opponents who insist on having evaluations. “People want to get rid of programs and support good evaluations because it is a device to get rid of the programs.” LaLonde emphasized, “I think it’s a mistake – evaluations are so hard; it’s not worth doing a bad one. It is important to concentrate skill, resources, and limit the number to high-quality evaluations.”

## Conclusion: looking forward

The conference, “Strategies for Improving Economic Mobility of Workers” brought together individuals who rarely gather in the same forums, yet have a lot in common. The mixing of perspectives was extremely enlightening, and should help to improve the “research of the researchers” and hopefully the “practices of the practitioners.”

The research in income and wage trends, particularly the work presented by David Autor, is compelling in its demonstration of rising inequality, or as he refers to it, “a process of employment ‘polarization’ – in which job growth is concentrated among both highly education-intensive ‘abstract’ jobs and comparatively low-education ‘manual’ jobs.” Autor outlines that this presents both challenges and opportunities for the nation. The rising productivity of highly educated workers is good news, but the

growing importance of manual and service tasks presents a challenge. The positive news about rising demand for in-person service occupations is that it will tend to increase the earnings of less-educated workers. The less favorable news is that, even given rising demand, labor supply to services may be sufficiently elastic that wages stay low. The hourly wage rates imply annual, full-time earnings of approximately \$20 thousand per year (although many service jobs do not provide full-time, full-year earnings). This income level exceeds the poverty threshold for the year 2000 of \$19,350 for a family of two adults and two dependent children. Yet, this is probably insufficient for families to make optimal investments in child-rearing and education.” Autor agrees that “It appears a legitimate worry that the ongoing polarization of earnings levels among U.S. households will ultimately serve to thwart economic mobility among subsequent generations.”

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Maude Toussaint-Comeau is an economist in the microeconomics team of the economic research department of the Federal Reserve Bank of Chicago. Toussaint-Comeau current research focuses on immigrant utilization of financial services, labor market adjustment, homeownership attainment by Hispanics and immigrant/ethnic self-employment. She is published in *Review of Economics and Statistics*, *International Migration Review*, *Contemporary Economics Policy*, etc. She received a Ph.D. in economics/public policy analysis from the University of Illinois at Chicago, an M.S. in economics from Temple University and a B.A. in economics from the University of Illinois at Urbana-Champaign.

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- 3 Berube, Alan, “Metropolitan Poverty in the United States,” presentation at Poverty and Place Workshop, Cambridge–MIT Institute, Cambridge, UK, September 28. Available at [www.brookings.edu/speeches/2006/0928metropolitanpolicy\\_berube.aspx](http://www.brookings.edu/speeches/2006/0928metropolitanpolicy_berube.aspx) (accessed August 4, 2008).
- 4 Full text is included in this edition of *Profitwise News and Views*.
- 5 The selection problem arises from the following possibilities: participants choose to participate in programs based on their own assessments of whether they will benefit from the program. Program operators select applicants that they believe will benefit from the program. The same issues arise when evaluating community-based programs. One might ask: why is the program operating in Community A; is it due to strong community leaders compared to Community B who did not have the program? In such case, one could expect their outcomes to differ even if the program had no impact. The challenge then comes from the fact that the evaluation is unable to account for these decisions.

# Dislocated Worker Ten-year Follow Up

by Karen R. Knox

On a snowy February day in 1996, company officials at Advance Transformer (Advance) in Platteville, Wisconsin, gathered their workforce together for an unexpected announcement. One of Platteville's largest employers would be closing its doors permanently.

*"No one saw the plant closing coming at all," recalled one of the dislocated workers about the shutdown. "They assembled us into an aisle and told us the news. And after 15 years of employment at Advance, it was a total shock!"*

As they completed their shifts, the employees numbly walked to their cars. Many had labored at the company for decades. A number were married couples. More than a few were looking forward to retirement. Over the next 18 months, all Advance workers were released from the Platteville facility.

Advance employed 620 persons in Platteville, a town of 10,000 located in Grant County. At the time, the county labor force numbered 26,500 out of a total county population of 49,600. Accordingly the closing had significant economic and sociological ramifications.

Fortunately for many of those who were displaced, that was the rough start to a process that would eventually turn out positively for many of the workers. Many would take advantage of benefits including available federal or state

assistance, and return to school to acquire new skills, become more marketable, and once again enjoy gainful employment.

The announced layoff immediately caused 29 different local, state, and federal agencies to take action. They collaborated to develop an Employment Response Team (ERT) with representatives from education, workforce development, job service, chambers of commerce, and economic development. The project was certified under the North America Free Trade Agreement and the dislocated workers

Currently, scenes reminiscent of the Advance plant shutdown are playing out across the Midwest. Workers separated from their jobs experience emotional and financial setbacks, but eventually get on with their lives. Researchers, policy makers, and others are interested in the paths that displaced workers follow. Are there situations similar, better, or worse than previously?

Investigation yielded surprisingly few answers. Scarce research findings prompted the agencies involved in the ERT, which expended considerable

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***"Workers separated from their jobs experience emotional and financial setbacks, but eventually get on with their lives."***

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were eligible for Trade Adjustment and Assistance funds.

Platteville is situated in Grant County at the heart of the Southwest Wisconsin Technical College District. Consequently, Southwest Tech became the lead agency in the training portion of the response. Seventy-two percent of those who sought post-layoff education ultimately came to the college's Fennimore campus.

resources to assist the Advance employees, to initiate the Advance Transformer Study (study), a ten-year follow-up exploring whether or not the response efforts of the ERT had positively affected the quality of life of the company's displaced workers and their families in the years since.

Southwest Tech was a logical choice to spearhead the follow-up study; college staff were already experienced in gathering data from alumni. The study was

patterned after the college's annual graduate follow-up survey, which gathers from recent graduates information on employment status, salary, and the level of satisfaction with the education received.

Southwest Tech partnered with Wisconsin Job Service and the Wisconsin Department of Workforce Development to conduct the study, which was partially funded by the Wisconsin Governor's Council on Workforce Investment.

The study consisted of a mailed survey of 27 multiple-choice questions along with one open-ended reflective question. Respondents were asked, "In your own words, how does your life compare to your life ten years ago?"

Out of 620 surveys mailed to former Platteville Advance employees in February 2006, 567 surveys were delivered, and 305 of those were returned completed for a response rate of 53.8 percent.

Survey respondents fell into three categories. Forty percent (122 workers) reported that they had completed one year or more of post-layoff education, while another 6.6 percent (20 workers) said they had undertaken less than six months of training. The remaining respondents, 53.4 percent (163 workers), had pursued no additional training.

The respondents also were asked a series of questions comparing their current employment to the jobs they left behind at Advance. They had to rate their present employment as better, the same as, or not as good as their jobs at Advance in the areas of wages, benefits, working conditions, hours, commute, advancement opportunity, and job satisfaction.

The study revealed that, almost without exception, the workers who took advantage of the array of educational opportunities improved

their work lives in many critical areas. Those with more training are earning higher wages, receiving better benefits, and have seen increased advancement opportunities than their less-trained colleagues. Looking at their employment history subjectively, respondents with more training also claim a higher level of job satisfaction and express greater overall happiness in their current employment. They not only have moved well beyond where they were when employed at Advance, but also have eclipsed their fellow displaced workers who opted out of more training.

The single open-ended survey question elicited a total of 17 pages of comments from the survey respondents. Reflecting back on their time at Advance, most of the workers thought of their former employment fondly, considering it an excellent workplace with good wages and benefits. Memories of the plant shutdown, however, were expressed as a staggering sense of loss and fear.

*"I was devastated," wrote one respondent, while another confessed, "At the time of the announcement I was scared, and couldn't sleep well for many months."*

A profile of Advance employees reveals a workforce that was largely semi-skilled (77 percent held a high school diploma) and 74 percent female between the ages of 35 and 44 years. Time at the company averaged more than 11 years.

The average wage in 1995 was \$8.80 and considered very good at the time for rural southwest Wisconsin. Better still, Advance employees received health benefits.

For many displaced Advance workers, working at the Platteville plant represented a then-acceptable career that afforded a modest but comfortable living for the employees and their families.

However, after having taken advantage of the opportunities, particularly education, made possible by the ERT, the level of achievement reached by these workers clearly has been raised. Following comments are from different survey respondents, expressing satisfaction with their post-Advance lives:

*"I was upset at the time, but have been very happy with my decision to get an associate's degree. After which, I was hired as a full-time PC technician."*

*"When the plant closed, it was one of the hardest things in my life; it is all I had ever done since school. But I know now it was one of the best things that could have happened. I have learned so much that I wouldn't have if I stayed there."*

*"Much improved. Have more control and input in my job. Have reached a level of self-actualization. The decision to close affected me greatly mentally. It was a very difficult time."*

*"Change is always hard to handle, but thanks to the plant closing, we (I and my spouse) both have better jobs. We had to relocate, but looking back it is the best move we have ever made. Changes happened, but life still moves forward. It seems that as long as you try, it will all work out in the end."*

Worker retention in rural southwest Wisconsin is vital to an economy that has struggled with an aging population and declining workforce numbers. In contrast to the highly transient population of the nation as a whole, 92.3 percent of the survey respondents reported still living either at the same address (45.8 percent) they had when they were employed at Advance or within 50 miles (46.5 percent) of their former address.

Only 7.7 percent of the survey respondents reported moving more than 50 miles away from their old residences. More of this group, however, was individuals who

completed one year or more of education. One logical explanation for this finding is that the workers with more training possessed and exhibited greater mobility because their additional education increased the number of career opportunities available to them.

Another interesting finding of the study was that the dislocated workers who had participated in short-term training of six months or fewer actually fared less well than those who took no additional training. Further investigation led to a determination

A significant number of the displaced Advance workers chose not to pursue any additional training. They jumped to new jobs immediately after the pending closure was announced out of fear of being unemployed. They apparently gave little consideration to whether the jobs truly were the best choice among the options that would soon be available to them. Since these individuals voluntarily left Advance prior to the actual layoff, they technically were not displaced because of it and, therefore, became ineligible for training dollars. The greatest unmet need revealed by the study was

In its most recent study in April 2007, the Wisconsin Taxpayers Alliance concluded that each dollar invested in the state's technical colleges yields a 362 percent return.

The Advance plant closure had a significant impact on the economy and people of southwest Wisconsin, but the study reveals some of the benefits of allocating resources toward displaced workers. "In a global economy that has become fiercely competitive, plant closings make headlines, but this study tells the rest of the story," said Roberta Gassman, secretary of the Wisconsin Department of Workforce Development, who believes that the study reinforces the value of dislocated worker services and the importance of education.

*"Dislocated worker services do make a difference, and education can open the door to new job opportunities and rewarding careers," she added. "Even limited job training can set workers on career paths to better job opportunities with one or two years of education."*

*Secretary Gassman noted that the Study underscores the apparent value of job training and education, but she also honored the dislocated workers themselves. "It is a tribute to the workers who persevered, availed themselves of the services...and seized the opportunity to begin anew, creating a better life for themselves and their families."*

The results are particularly instructive at a time when federal funds for workforce development have declined dramatically, according to Secretary Gassman. Over the last 20 years, Wisconsin has seen federal funding shrink by 56 percent, with cuts occurring as global competition and the need for worker training increases.

Since the first presentation of the study findings in December 2007, Southwest Tech has shared the information at the Governor's Council on Workforce Investment, the Region V Dislocated Workers Council, the State

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## **“Even limited job training can set workers on career paths to better job opportunities with one or two years of education.”**

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that an individual who used short-term training as an "on ramp" for further training experienced better results than one who only participated in basic education or entry level courses without transitioning into more in-depth training. The impact of "stand-alone," short-term training was limited.

Overall, the education and services provided were well received by the dislocated workers. Those who had once felt abandoned by Advance later were uplifted by a sense of caring received from ERT member agencies that had offered assistance.

Services most used were: education; mileage reimbursement for commuting to school and travel to job interviews; extended unemployment benefits that provided a financial life line, enabling former Advance workers to complete their education; and job search assistance. That assistance consisted of counseling on what type of job a worker should be seeking, locating available jobs, and practicing interviews and resume creation.

health insurance. The layoff left many families without access to any affordable health coverage, and the ERT agencies could offer no safety net. Without that, many of the workers were forced to forego training options in favor of any job that provided insurance benefits.

This deficiency has since been addressed. In the wake of the Advance closure and other similar business contractions, the Wisconsin State Legislature acknowledged the problem and effected legal changes that make health care more readily accessible.

Almost every governmental action exacts a cost to taxpayers, and the activities of the agencies involved in the ERT are no exception. Yet, while education does carry an immediate cost, a more accurate and appropriate way to frame it is as a taxpayer investment. The study did not look to measure the return on investment in training the dislocated workers. However, many other independent studies have been conducted to ascertain the financial impact of technical education on Wisconsin.

Workforce Programs Roundtable, the Wisconsin Technical College System Board, the Wisconsin Economic Development Association, and the Southwest Wisconsin Workforce Development Board.

On a national level, a presentation on the Study was recently delivered at the American Association of Community Colleges' annual convention in Philadelphia, Pennsylvania, and another presentation is scheduled at the National Association of Workforce Development Professionals in Virginia Beach, Virginia. Still other possible destinations for the presentation team include the Heartland Professional Development Symposium, the Workforce Innovations Conference, and the Association of Community College Trustees.

A copy of the Platteville Advance Transformer Dislocated Worker Study is available on the Southwest Tech Web site at [www.swtc.edu](http://www.swtc.edu), or by contacting the college's Office of Institutional Advancement at (800) 362-3322, ext. 2456.

## BIOGRAPHY

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Karen R. Knox, Ph.D., president of Southwest Tech, has over 30 years of experience in the Wisconsin Technical College System serving in roles from instructor to president. She has had experience with various employment and training programs beginning as a business instructor in the 1970s to her present service on the Southwest Wisconsin Workforce Development Board. Her experience with the technical college graduate follow-up studies sparked her enthusiasm for moving this ten-year Advance Transformer Study forward.

# IFF Achieving Scale Throughout the Region

by Trinita Logue

IFF (formerly Illinois Facilities Fund) became a regional community development financial institution (CDFI) in 2007, extending its reach beyond Illinois to include Iowa, Missouri, and Wisconsin. This year, the expansion has continued into Indiana. In January 2008, IFF added a new office in St. Louis at 1221 Locust Street to augment the local service of existing offices in Chicago and Peoria. The new office helps support the mission of meeting the real estate financing needs of nonprofits across the region.

In 2007, IFF approved more than \$37 million in loans to 75 nonprofit agencies, including six loans in Iowa and Indiana, nine loans in Missouri, and ten in Wisconsin. IFF's funds leveraged \$92 million from other entities. More than 75 percent of clients (over 367,000) served by these borrowers are low-income.

## Key benchmarks

- In early 2008, IFF closed its 600th loan, and this year expects to make 120 loans to agencies working in or serving low-income and disadvantaged communities across the region.
- This year also marks the 20th anniversary of IFF. Over that span, IFF has provided \$182 million in funds to nonprofits of all kinds, thanks largely to its investors and partners.

## Investors make the difference

The expansion also opens the possibility of new partnerships with financial institutions. IFF has worked with many financial institutions during its 20 years. One reason IFF has been able to get their support is the fact that the collaboration could assist an institution in meeting the requirements of the Community Reinvestment Act. Since IFF-financed facilities are typically located in low-income areas, or serve low-income populations, depending on the involvement, a financial institution can receive investment credit (meeting credit needs through investments and grants) for providing funds to IFF and/or lending credit (meeting credit needs through direct and indirect lending). Of course, in doing this, a financial institution also must meet the needs of its local area. IFF's work with financial institutions provides substantial funding for IFF's lending program, and these same institutions also share loans with IFF to extend their reach to loans they might not otherwise be able to make.

New or recent investors include First Bank (\$1 million), M&I Community Development (\$500,000), Wells Fargo (\$1 million), and ShoreBank (\$3 million). These below market rate investments enable the IFF loan program to continue its growth throughout the Midwest

region. The total of \$5.5 million, at IFF's average loan amount of \$430,000, translates into more than 12 loans to nonprofits. IFF's funds leverage other funds by a factor of 2.4; the investment in IFF results in over \$13 million in capital investment into low-income communities.

Equally important, the investors achieve their goals of reaching communities and borrower types (i.e., primary health clinics, food pantries and shelters, special needs, and supportive housing) that they may not otherwise be able to serve. IFF loans provide the nonprofit borrower with beneficial terms and an experienced nonprofit lender.

One of IFF's investment vehicles for banks is the Investor Consortium. Through the consortium, IFF issues notes backed by its real estate loans. By participating in one of the consortium notes, a bank is able to extend its reach to an investment in a diversified pool of IFF loans. IFF provides monitoring, collection, and servicing, including detailed reporting on the portfolio.

Principal and interest on the notes are payable from the principal and interest payments received by IFF. Collateral also includes a 2 percent cash reserve fund, which is held by a trustee together with collateral documents. The interest rate for each note is the interest received on the IFF

loans each note series, less IFF's servicing fee, with a floor of 3 percent. Pledges to purchase notes may be made in minimum amounts of \$500,000.

To find out more about investing with IFF, contact CFO Michael Hedrick via email at [mhedrick@iff.org](mailto:mhedrick@iff.org).

## IFF loans making the difference

An example of how IFF can work with an agency comes from Streator, an economically distressed town of 14,000 in north central Illinois. Streator Unlimited is a nonprofit corporation providing education, training, and support for the town's adults with developmental disabilities. Once a booming manufacturing town known as the "Glass Container Capital of the World," globalization has shifted industry abroad, leaving a community struggling to adapt to a different business environment.

One of Streator Unlimited's most important services is supervised employment for the developmentally disabled in a factory workshop. Employees in the workshop develop life and work skills while striving towards economic self-sufficiency, although most of the employees will always require support and supervision in order to remain independent. In June 2004, Streator Unlimited lost a manufacturing contract to powder coat metal parts to a company operating in China. The contract, worth \$450,000 in annual revenue, had been 60 percent of the revenue for years, and enabled Streator Unlimited to maintain jobs for 72 adults. The agency was left in a difficult financial position while continuing to care for vulnerable individuals whose ability to support themselves was limited by their disability and the lack of other appropriate jobs, particularly due to the economic distress of the entire town.

Streator Unlimited chose to keep the workers on staff for a period of time while reorganizing its factory services to

be competitively aligned with new market conditions. This decision would not have been justifiable based on the financial bottom line. It took the Board of directors about ten months to respond and adapt. However, Streator Unlimited's financial decisions were made for the benefit of the adults with developmental disabilities it serves.

As a result of their decisions and the time invested, the agency operated at a deficit for two years. IFF assisted by refinancing debt as part of an overall restructuring (the \$566,000 loan was approved in February 2008), with the goal of cutting costs while Streator Unlimited recovers and continues to meet its mission.

IFF often collaborates with a financial institution by taking a second mortgage position. For example, Family Christian Health Center (FCHC) in Harvey, Illinois, operates a clinic for comprehensive dental services, psychological services, and other human services for low-income residents. The clinic is open six days a week and provides primary health care for all patients, regardless of their ability to pay; 60 percent of its patients are at or below 200 percent of poverty line (about \$20,000 x 2 for a family of four in 2006 for Cook County). Eighty percent of FCHC's patients receive Medicaid coverage, and many of the balance are uninsured. Dental care is a new service of FCHC, and 4,000 patients were seen in the first year. The clinic expects the number of individuals treated to soon reach 10,000 annually.

Family Christian came to IFF for a \$750,000 loan to cover part of the construction costs of a new 21,000 square foot health care center and purchase of equipment. The facility provides 24 primary care exam rooms and six rooms for OB/GYN appointments. IFF's loan is in addition to a \$1.7 million first mortgage from MB Financial and a \$900,000 grant from the Department of Health and Human Services.

In this example, IFF's loan derived through an allocation of New Markets Tax Credits (NMTC). IFF received an allocation of the credits and "sold" them to an entity formed between IFF and J.P. Morgan Chase. In exchange for up front equity, J.P. Morgan Chase receives tax credits over the course of seven years.

A further example of IFF partnering with other institutions took place in Milwaukee. The Wisconsin Regional Training Partnership (WRTP) works with employers and unions to recruit and train new employees, upgrade skills of current workers, modernize facilities, and adopt improved workplace practices. All of the agency's clients are designated as low-income – 89 percent of them are men.

WRTP recognized a need for improved and additional space. It decided to embark on a three-phase project: acquisition of a property; build-out of administrative and program space; installation of an elevator; and renovation of the basement. The total project cost was more than \$2 million. WRTP planned to conduct a three-year capital campaign to cover the costs, but did not want to wait for the campaign to be complete before the project could start. Instead, WRTP worked with U.S. Bank and gained approval for a first mortgage of \$840,000. IFF provided a second mortgage of \$303,000. IFF was also able to provide a \$613,000 loan to bridge the capital campaign proceeds. With U.S. Bank and IFF loans in place, WRTP also obtained a Program Related Investment of \$250,000 from the Helen Bader Foundation of Milwaukee. The combination of these funds made possible the much-needed new facility for low-income workers in the area.

"Nonprofits are in the business of providing invaluable services on constrained government contracts or in certain cases, a private market contract. The commitment to their mission drives their most challenging and complex business plans and financial decisions, yet these are often not aligned with

market forces,” said Nicole Mandeville, loan officer at IFF. IFF’s underwriting enables borrowers to obtain financing when environmental factors may not be working in their favor. IFF’s collaboration with other financial institutions and funders, through investments and lending collaboration, enables nonprofits to meet the needs of their communities and continue to operate in a dynamic economic and financial environment, delivering essential services to special needs and low-income communities.

For more information on the IFF, visit [www.iff.org](http://www.iff.org) or call toll-free (866) 629-0060.

## BIOGRAPHY

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Trinita Logue is the founding president and chief executive officer of IFF. Ms. Logue conceptualized and created IFF while serving as assistant director of the Chicago Community Trust. Ms. Logue’s civic and professional affiliations currently include serving as a director of First Nonprofit Trust Companies, a proprietary insurance company that provides coverage to nonprofit organizations in six states. She is also a member of Northwestern University’s Kellogg School of Management Public and Nonprofit Advisory Committee, a director and member of the Executive Committee of the Donors Forum of Chicago, a member of the Attorney General’s Charitable Advisory Committee, a member of the Governor’s Early Learning Council, and a member of The Chicago Network. Ms. Logue also serves on the St. Louis Federal Reserve Bank Community Development Advisory Council.

# Funding Synchronicity

by Wendy White Eagle

Native Capital Investment, Inc., (Native Capital) was established in 2003 to develop self-sustaining businesses in American Indian communities throughout the United States. It is a full service, research-driven, investment organization that seeks to create fair trade business development. Current services include: business valuation analysis, mergers/acquisitions, creation of transparent financial reporting processes, and private equity investments.

Native Capital focuses on three sectors of market growth and expertise, which include: medical technology, alternative energy, and telecommunications. The organization invests for expansion and growth with established business models that have high internal growth rates, and large-market leadership potential. Native Capital maintains deep involvement with portfolio companies by helping companies achieve leadership positions in large markets.

There has been tremendous energy and progress in various economic development activities across Native America. There has been good progress on projects that various entrepreneurs have undertaken, harnessing those entrepreneurs' vision and imagination. As multiple sources of funding come together to promote economic development on native lands across the

country, local jobs are created, adding to the local tax base, among other economic benefits.

In essence, the goal of Native Capital is to leverage the strengths of various partners who help create successful projects – tribal, federal, state, and local governments along with various local nonprofit groups that work together to get businesses moving.

## Wisconsin's Menominee Nation promotes development

Half Sky Development, a real estate development firm located in Central Wisconsin, knows this level of collaboration firsthand. Their commercial project, approved within the Menominee Nation, broke ground in the fall and will house approximately 16,000 square feet of retail space. Eighty-five percent of the available space was leased out to local business owners before construction even began. These businesses – a meat market, coffee shop, hair salon, restaurant, billiard hall, and laundry – will provide needed products and services in the local market.

Partners in this project include the Northwood's NiiJii Enterprise Community, Inc. (NiiJii), a nonprofit that assisted in business plan development

for the various tenants, and the Menominee Indian Tribe of Wisconsin, who worked with the private developers at Half Sky to arrange for a long-term land lease. The Menominee Community Resource Center was recently named one of the top ten service providers in the region. Employment assistance monies from the U.S. Department of Labor through the Workforce Investment Act Fund will provide employment options to local Tribal members as they obtain job experience. This program will offset wages for the new businesses. In addition, this project has attracted the attention of various lenders and may be able to garner lower cost financing options through the New Markets Tax Credit Program.

For details on how to have your organization participate in this information network, and/or participate in funding on upcoming projects, please contact Wendy White Eagle at (312) 492-8195, or via email at [Wendy@NativeCapital.com](mailto:Wendy@NativeCapital.com). For more information about the Half Sky Development, please contact Ann Marie Johnson at The Menominee Community Resource Center at (715) 799-4419, or via email at [Ajohnson@MITW.org](mailto:Ajohnson@MITW.org).

## Around the District

### ILLINOIS

#### Illinois Launches the Nation's Largest Rental Assistance Program

According to a news release from Governor Blagojevich's office, the State of Illinois has launched the country's largest state rental assistance program that will help extremely low-income residents in Illinois achieve long-term housing stability. Once fully operational over the next three years, the Rental Housing Support Program (Program) will assist an estimated 4,000 "rent burdened" extremely low-income individuals, families, and those with special needs with finding safe and affordable rental housing through rental subsidies. The program is targeted at households who earn less than 30 percent of the median income in an area.

Under the Program, the Illinois Housing Development Authority (IHDA) will award \$12 million in grants during the first year to the 14 local administering agencies in both rural and metropolitan communities around the State. Local administering agencies can be local housing authorities, municipalities, or nonprofit organizations with experience in affordable housing.

The local administering agencies will then work with landlords who apply to take part in the program to make available affordable units to eligible tenants. Tenants will pay rent of approximately 30 percent of their income and the local administering agency will use grant funds to pay the balance of the rent negotiated with the landlord.

To find out more about the program, visit [www.ihda.org](http://www.ihda.org), under "Multifamily Programs." Landlords who are interested in participating in the Program in the future can call IHDA at (312) 836-5200 to speak with April Lasker, program manager.

The City of Chicago will be allocating funds for the Rental Housing Support Program from the Chicago Low Income Housing Trust Fund. For more information about Chicago's program, please contact the Department of Housing at (312) 742-8400.

For a copy of the full news release, visit [www.ihda.org/admin/Upload/Files//d4b3b6ad-cc8d-4b13-87d6-15178d8240ee.pdf](http://www.ihda.org/admin/Upload/Files//d4b3b6ad-cc8d-4b13-87d6-15178d8240ee.pdf).

### IOWA

#### Iowa Funds 21 Renewable Fuels Awards

On June 26, 2008, Iowa's Governor Chet Culver announced the award of over \$777 thousand in awards from the state's Renewable Fuels Infrastructure Board (RFIB) to assist Iowa retailers to install E-85 ethanol pumps, and supply biodiesel for farm delivery. The governor stated, "I believe with gas approaching four dollars a gallon and petroleum at record prices, now is the right time to reaffirm our common commitment to clean, renewable fuels. Increased access to E-85 and biodiesel is good for Iowa consumers, good for the environment, and good for Iowa farmers."

Michael Tramontina, director of the Iowa Department of Economic Development, said, "Our continued expansion of E-85 ethanol and biodiesel access demonstrates Iowa's commitment to greater use of renewable energy. We fully expect these grants to improve availability and promote more robust and alternative fuel options for Iowa consumers." Over a three-year period, \$13 million in financial incentives will be allocated by the RFIB to expand consumer access to renewable fuels.

For additional information and

application details, visit [www.iowalifechanging.com](http://www.iowalifechanging.com).

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## MICHIGAN

### Mortgage Fraud

According to the Detroit News, U.S. Attorney Stephen Murphy described mortgage fraud as a widespread economic scourge in Michigan, and said his office has launched a crackdown with the assistance of the FBI and other agencies. Murphy indicated at a news conference that since March, his office has charged or convicted 28 people with a variety of fraud and money laundering charges in 15 separate cases related to alleged mortgage fraud with losses exceeding \$50 million.

Michigan ranks third in the nation for mortgage fraud, according to a recent FBI report. The Detroit News reported in November that widespread mortgage fraud in the region had cost residents and lenders hundreds of millions of dollars, and forced thousands of home owners into foreclosure, prompting calls for more enforcement.

"Mortgage fraud tears at the core of our households, our economy, and the American dream," said Toni Chrabot, the agent in charge of the FBI's Oakland County office. The cases detailed in Detroit run the gamut from allegations of inflated appraisals, use of false income documents and false identities to obtain mortgages, and use of false deeds, liens, and other false real estate records to obtain funds. Investigators and prosecutors say it's difficult to keep up with the volume of mortgage fraud complaints they receive, partly because the cases are often complex and time-consuming to unravel.

This article was accessed from [www.detnews.com](http://www.detnews.com).

## WISCONSIN

### Comprehensive Neighborhood Program Gets Huge Boost

Businessman/philanthropist Joseph Zilber recently announced a ten year, \$50 million commitment to neighborhood revitalization in Milwaukee. Zilber, the founder and CEO of Milwaukee-based Zilber Ltd./Towne Realty, Inc., committed \$50 million to the Zilber Neighborhood Initiative and challenged Milwaukee's civic leadership to match his contribution at three-to-one, creating a \$200 million fund.

The initiative, modeled on the New Communities Program (NCP) in Chicago, aims to improve the quality of life in select neighborhoods in Milwaukee. Susan Lloyd, a former program director at Chicago-based John D. and Catherine T. MacArthur Foundation, will run the initiative. A group of Milwaukee, chaired by Dennis Kuester, Chairman of Marshall and Ilsley Corporation and a member of the Federal Reserve Bank of Chicago's Board of Directors, will oversee the initiative.

To see the announcement of the Zilber Neighborhood Initiative and for more information about the New Communities Initiative, visit the MacArthur Foundation Web site at [www.macfound.org/site/apps/nlnet/content2.aspx?c=IkLXJ8MQKrH&b=1479547&ct=2051761](http://www.macfound.org/site/apps/nlnet/content2.aspx?c=IkLXJ8MQKrH&b=1479547&ct=2051761)

# Calendar of Events

## 2008

### Strengthening Neighborhoods in Weak Markets

St. Louis, MO  
September 24-25

Sponsored by the Federal Reserve Banks of St. Louis, Chicago and Minneapolis, the meeting is one of a series—titled Recovery, Renewal, Rebuilding—scheduled across the country by the Federal Reserve. (Learn more about the Fed's response to the foreclosure crisis at [www.stlouisfed.org/RRRSeries](http://www.stlouisfed.org/RRRSeries).)

Participants in this symposium will learn specific strategies to offset the negative impact of foreclosures on low-cost real estate markets. National experts will address the following key topics:

- how nonprofits and local governments can reduce the negative spillover effects of vacant properties;
- economic implications for municipalities;
- municipal governance solutions such as ordinances, land banks, and housing courts; and
- funding and finance solutions, such as targeted neighborhood investment strategies.

For information, contact Cynthia Davis at (314) 444-8761. To register online for this event, visit [www.stlouisfed.org/RRRSeries/registrations/event4/default.cfm](http://www.stlouisfed.org/RRRSeries/registrations/event4/default.cfm).

### Foreclosures in the Quad Cities: Causes and Prevention

Davenport, IA  
September 26

The Federal Reserve Bank of Chicago, Quad Cities DollarWise, and the Scott County Housing Council will co-sponsor this day-long conference, during which they will explore the current status of the foreclosure crisis in the Quad Cities and in Iowa as a whole. Featured will be a presentation on the current status of national legislation on foreclosure prevention and mediation, as well as the status of systemic regulatory change in the home mortgage industry, and what this portends for future home buyers and communities in the Midwest.

To learn more or to register, visit [www.chicagofed.org/news\\_and\\_conferences/conferences\\_and\\_events/quadcities\\_foreclosures\\_announcement.cfm](http://www.chicagofed.org/news_and_conferences/conferences_and_events/quadcities_foreclosures_announcement.cfm). For more information, contact (312) 322-8232 or e-mail [CCAEvents@chi.frb.org](mailto:CCAEvents@chi.frb.org).

### Economic Development Finance Professional Certification Program: Real Estate Finance

Brooklyn Park, MN  
September 29 to October 3

The National Development Council (NCD) is sponsoring a four-course program designed solely for economic development practitioners. This third course in the Economic Development Finance Professional Certification Program series presents a detailed look at commercial real estate development. Participants will gain insight into the way investors see the real estate market and how to meet their requirements.

There are two remaining courses, both of which are five days in length:

- ED 202 – Real Estate Finance, Sept. 29-October 3, 2008
- ED 300 – The Art of Deal Structuring, December 8-12 2008

To contact NDC's Training Division, e-mail [training@nationaldevelopmentcouncil.org](mailto:training@nationaldevelopmentcouncil.org), or call (859) 578-4850. To register online, visit [www.ndctraining.org/registration.html](http://www.ndctraining.org/registration.html), or complete and fax a printable registration form to (859) 578-4860. For more information, visit [www.nationaldevelopmentcouncil.org/secondary\\_n/training/course\\_desc.aspx#ED202](http://www.nationaldevelopmentcouncil.org/secondary_n/training/course_desc.aspx#ED202).

## Connecting Financial Education to Consumers: Symposium for Financial Institutions and Educators

Chicago, IL  
October 7

This groundbreaking symposium is co-hosted by Networks Financial Institute at Indiana State University and the Federal Reserve Bank of Chicago. The agenda will address effective approaches for reaching consumers with financial education, including specific insights on reaching the financially disadvantaged, the foreclosure crisis, and retirement preparation. The event will bring together nonprofit and for-profit leaders from the financial sector as well as leading scholars with specific interest and responsibility for serving financial consumers.

For a complete agenda and list of speakers, or to register for the symposium, visit [www.networksfinancialinstitute.org](http://www.networksfinancialinstitute.org).

## Saving the American Dream: Preventing Foreclosure and Preserving Home Ownership

Detroit, MI  
October 16

Sponsored by the Federal Reserve Bank of Chicago, this free conference is a continuation of last year's efforts to identify and promote information and resources available from regulatory agencies, financial institutions, government agencies, and others to help mitigate the impact of foreclosures within the Detroit Metro area.

For more information, contact (313) 964-6010, or visit [www.chicagofed.org/news\\_and\\_conferences/conferences\\_and\\_events/2008\\_preventing\\_foreclosure\\_preserving\\_homeownership\\_announcement.cfm](http://www.chicagofed.org/news_and_conferences/conferences_and_events/2008_preventing_foreclosure_preserving_homeownership_announcement.cfm).

## Minnesota Indian Business Conference

Welch, MN  
October 28-29

The Minnesota American Indian Chamber of Commerce, the Federal Reserve Bank of Minneapolis, and more than a dozen partner organizations will be holding the Minnesota Indian Business Conference at the Treasure Island Resort and Casino in Welch, Minnesota.

For additional information, visit [www.maicc.org](http://www.maicc.org), call (651) 789-6533, or e-mail [pjstanding@maicc.org](mailto:pjstanding@maicc.org).

## CRA Interagency Training Workshop

Little Rock, AR  
October 29

This workshop is for CRA officers of small or intermediate small banks who are interested in developing a CRA plan; forming meaningful partnerships; determining qualified community development lending, services, and investments; assessing community needs; and creating the bank's personal CRA performance context. Regulators also will provide examples of partnerships and initiatives used by other banks to improve their CRA performance.

For more information, visit [www.stlouisfed.org/community](http://www.stlouisfed.org/community). Register online at [www.stlouisfed.org/events/2008Oct29LittleRock/default.cfm](http://www.stlouisfed.org/events/2008Oct29LittleRock/default.cfm), or fax the registration form to (501) 324-8202.

## Examining Successful Collaborations and Ongoing Barriers to Foreclosure Prevention

Waukesha, WI  
November 6

This conference, cosponsored by the Federal Reserve Bank of Chicago, the University of Wisconsin Extension, and Wisconsin Housing and Economic Development Authority, is a continuation of a series of events that have been held in Wisconsin to address the issues and

concerns surrounding Wisconsin's increasing number of foreclosures.

In addition to speakers who will present cutting edge information on this topic, this conference provides an opportunity to use your own expertise to engage the problem of foreclosures, as three task forces are helping to build an effective community response. Participants will have the opportunity to engage in this action-oriented process that will be facilitated through task forces made up of attendees. New participants are welcome to attend throughout the day and encouraged to join a task force, if interested.

The three task forces are:

- Options and Outreach
- Stabilization and Maintenance
- Financial Options and Strategies

To learn more or to register, visit [www.chicagofed.org/news\\_and\\_conferences/conferences\\_and\\_events/quadcities\\_foreclosures\\_announcement.cfm](http://www.chicagofed.org/news_and_conferences/conferences_and_events/quadcities_foreclosures_announcement.cfm). For more information, contact (312) 322-8232 or e-mail [CCAEvents@chi.frb.org](mailto:CCAEvents@chi.frb.org).

## Economics of Ethanol: Costs, Benefits, and Future Prospects of Biofuels

St. Louis, MO  
November 14

The Research division of the Federal Reserve Bank of St. Louis, the Weidenbaum Center at Washington University, and the International Center for Advanced Renewable Energy and Sustainability at Washington University will co-host a conference on the economics of ethanol.

This nontechnical conference includes sessions on the profitability of ethanol processing and the impact of ethanol subsidies on rural economies. Other topics include the environmental effects of ethanol production, energy

balance with fossil fuels, effects on food prices, subsidy rate relative to oil and gas, and effects on farm production decisions.

For more information, e-mail Tom Garrett at [garrett@stls.frb.org](mailto:garrett@stls.frb.org), or Melinda Warren at [warren@wustl.edu](mailto:warren@wustl.edu). To view a schedule of events and participants, or to register, visit [www.research.stlouisfed.org/conferences/ethanol/index.html](http://www.research.stlouisfed.org/conferences/ethanol/index.html).

## 2009

### **Innovative Financial Services for the Underserved: Opportunities and Outcomes**

Washington, DC  
April 16-17

The Community Affairs officers of the Federal Reserve System are jointly sponsoring their sixth biennial research conference to encourage objective research into financial services issues affecting low- and moderate-income individuals, families, and communities. Some examples of topics that could be addressed are:

- Innovations in financial products
- Consumer access to mortgage and consumer credit
- Subprime and predatory lending
- Foreclosures
- Home ownership programs
- Other asset building programs and strategies

For more information, e-mail: KC. [CAResearchConf@kc.frb.org](mailto:CAResearchConf@kc.frb.org), or call Kelly D. Edmiston at the Federal Reserve Bank of Kansas City at (816) 881-2004.

**SAVE THE DATE**

**Examining Successful Collaborations  
and Ongoing Barriers to Foreclosure Prevention**

**November 6, 2008**  
**Country Springs Hotel, Waukesha, Wisconsin**

**LW Extension**

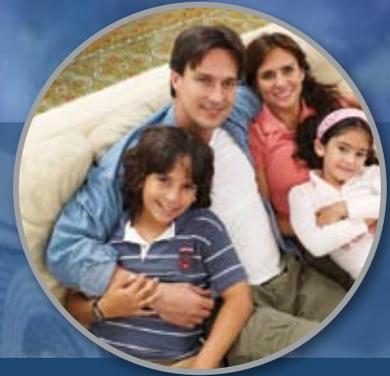
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# \$ *Innovative Financial* Services

FOR THE UNDERSERVED

The Federal Reserve System's Sixth Biennial  
Community Affairs Research Conference  
to encourage research into financial services affecting low-and  
moderate-income individuals, families, and communities.



Save the Date | April 16-17, 2009 | Washington, D.C.

## ANNOUNCEMENT

A paper prepared by Federal Reserve Bank of Chicago Consumer and Community Affairs staff and the Aspen Institute's Economic Opportunities Program was included in a book recently published by the National Academy of Public Administration. The book is entitled "Reengineering Community Development for the 21st Century", and was edited by Donna Fabiani and Terry F. Buss. The chapter examines the roles of community development financial institutions (CDFIs), and whether and how they increase their impact by establishing and building relationships with mainstream financial institutions. The book's publisher is M.E. Sharpe, and it is available at: [www.mesharpe.com/mall/resultsa.asp?Title=Reengineering+Community+Development+for+the+21st+Century](http://www.mesharpe.com/mall/resultsa.asp?Title=Reengineering+Community+Development+for+the+21st+Century)

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Consumer and Community Affairs Division

P.O. BOX 834

CHICAGO, IL 60690-0834

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