

### Round Two, Jobs Idea #4

#### Economic Inclusion:

#### Advancing an Equity-Driven Growth Model

by Sarah Treuhaft and Victor Rubin, Policylink



#### Problem Statement:

In the period leading up to and during the recent economic crisis, job growth and retention varied disproportionately by race. In 2012, the unemployment rate for whites was 7.4 percent compared to 14.4 percent for African Americans and 11 percent for Latinos. Furthermore, these communities of color continue to be concentrated in low-wage jobs that are less likely to provide health benefits and opportunities to move up the economic ladder.

This inequitable model goes against recent economic research that correlates income equity with sustained national economic growth. Although some strategies and policies have existed for economic inclusion of low-income, minority and other disadvantaged communities since the mid-20th century, they have not been robust enough to promote higher levels of income and racial equity. It will be especially important to address this gap as the U.S. labor force becomes more predominantly composed of people of color in the coming decades.

#### What's the Big Idea?

By infusing economic inclusion into large-scale economic development and job creation at national, state and regional policy levels, more job opportunities will be created for at-risk communities. Targeting these populations will reduce economic and racial inequity, contributing to more robust growth.

The following are areas in which policymakers can target economic inclusion:

**1. Grow “high-opportunity” industry sectors:** Focus regional economic development and workforce development

By infusing economic inclusion into large-scale economic development and job creation at national, state and regional policy levels, more job opportunities will be created for at-risk communities.

programs on high-potential industrial sectors that provide business development opportunities to vulnerable populations, and institute strategies specifically designed to increase their participation.

**2. Leverage economic power of urban anchor institutions:** Encourage anchor institutions such as hospitals and universities to hire and procure goods and services locally.

**3. Start and expand local- and minority-owned businesses:** Increase inclusivity by helping people in vulnerable communities start businesses, especially in high-growth areas of the economy.

**4. Maximize job creation through public investments:** Choose investments that maximize job creation, target underinvested areas, hire locally and create opportunities for minority-owned businesses.

### Case Studies

#### **Growing High-Opportunity Industry Sectors**

*Pittsburgh Central Keystone Innovation Zone (PCKIZ)*

PCKIZ seeks to increase the number of high-growth startup and relocated businesses in the Hill District to benefit the district's residents, who have largely been left behind Pittsburgh's economic resurgence. The program focuses on information technology, advanced manufacturing, biotechnology and other high-opportunity sectors. Since 2007, 41 businesses have started or relocated to the district, creating or retaining 225 jobs.

#### **Leveraging the Economic Power of Anchor Institutions**

*University of Pennsylvania (Penn)*

Since 1999, Penn has nearly doubled its purchasing from local companies and has tripled its purchasing from minority- and women-owned companies. In 2011, Penn spent \$96 million in South and Southwest Philadelphia and procured \$114 million in goods and services from diverse suppliers.

#### **Starting and Expanding Minority-Owned Businesses**

*Neighborhood Development Center (NDC)*

Since 1993, NDC, located in St. Paul, Minn., has helped emerging entrepreneurs from low-income communities of color, mostly immigrants, start their businesses. NDC conducts a 16-week business development course targeting diverse and low-income populations.

The center follows up with business start-up and expansion loans, ongoing business support and technical assistance, and low-cost commercial space through its seven business incubators. More than 4,000 residents have completed the training and 500 graduates are currently operating businesses, sustaining 2,200 jobs and adding \$64 million into the communities' economies.

#### **Maximize Job Creation Through Public Investments**

*Clean Energy Works Oregon*

The U.S. Department of Energy awarded Oregon \$20 million to retrofit 6,000 homes with energy efficiency upgrades. The project is intended to create 1,300 jobs across the state by 2013. To date, 43 percent of the jobs have been performed by people of color.

### How Does This Create Jobs?

Economic inclusion does not by itself create additional new jobs, however, when investment is taking place, it shifts jobs and business opportunities to vulnerable communities and populations, creating a more equitable economy. Depending on the scale and type of economic inclusion, inclusionary strategies could promote jobs in high-opportunity sectors or shift procurement-related jobs from national distributors to local suppliers who employ locally. Public expenditures on transit and other infrastructure investments have been found to create more jobs than similarly sized tax breaks.

### What Are the Barriers?

Implementing an economic inclusion policy faces several barriers:

- The successful implementation requires coordination and agreement between a diverse set of stakeholders, some of whom might not previously have had inclusion as a high priority.
- Inclusion strategies often entail investing for longer run benefits at a time when anchor institutions and major companies are under considerable pressure to cut immediate costs or maximize short-term gains.

### How Can This Policy Be Implemented?

Strategic planning and partnerships among diverse stakeholders including policy, community and business leaders is necessary to implement an economic inclusion strategy. To gain buy-in, private-sector leaders need to recognize the long-term benefits of economic inclusion, while community leaders need to focus more on job growth and economic inclusiveness as a means to reach their equity goals.

Public sector leaders need to facilitate conversations and partnerships between these varied stakeholders and formally develop and implement equity-driven growth strategies.

The implementation of inclusionary practices begins with the integration of these approaches into various regional and local plans. These plans need to promote equitable development and provide strategies to overcome barriers for communities of color in employment and support for businesses.

### Conclusion

Increased equity has been shown to sustain and enhance development at a macro level and create better outcomes for the economy as a whole. Therefore, the approaches to inclusion outlined here could be effective tools to increase equity and productivity and to provide high-quality jobs to minority and vulnerable populations.

## About Big Ideas for Job Creation

Big Ideas for Job Creation, a project of the Institute for Research on Labor and Employment at the University of California, Berkeley, with the support of the Annie E. Casey Foundation, tapped into the innovative thinking of leading experts across the nation to develop job creation proposals. Every idea had to meet the following criteria: designed for implementation by cities and/or states and will lead to net new job creation in the short-term; practical, sustainable, scalable and already tested; and all jobs created should be accessible for low-skilled workers and offer some career opportunity. Taken together, these Big Ideas can create millions of new jobs for our country.

[www.BigIdeasforJobs.org](http://www.BigIdeasforJobs.org)



The Annie E. Casey Foundation