MARY REYNOLDS BABCOCK
FOUNDATION

helping to move people and places out of poverty

When Any Job Isn't Enough
Jobs-Centered Development in the American South

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1. Overview

The challenge of finding work that provides a decent living long has bedeviled Southerners. Prior to the Second World War, the South's residents struggled with an absolute shortage of jobs – a shortage that inspired the region's postwar leaders to launch an aggressive campaign of economic transformation. Seen in one light, those efforts appear to have paid impressive dividends, as a region that once lagged behind the rest of the nation economically turned into one of its most dynamic places. Seen in another light, however, little appears to have changed, especially for the South's low-income people and places. What did shift – at least until the start of the current recession – is the nature of the problem: rather than facing an absolute jobs shortage, today's southerners confront a relative lack of quality jobs.

This mixed record is a by-product of the South's traditional approach to economic and workforce development. Contrary to popular perception, the South's transformation resulted not from unbridled market forces but from the interaction of private enterprise with public efforts to foster job creation and cultivate a more skilled workforce. In the process, southern states pioneered much of modern economic development policy and influenced the evolution of workforce development policy, particularly in the areas of vocational and technical education.

Perhaps the defining characteristic of the southern way of economic and workforce development is a focus on growth to the exclusion of questions of economic structure, distribution and equity. The assumption has been that, if successful, public efforts to leverage private investments will cause social ills like poverty will resolve themselves. Sadly, this has not happened.

The limitations of traditional approaches have become increasingly obvious since the mid-1990s. Policy changes, demographic shifts, deindustrialization and weak economic growth – such factors prompted some regional leaders to question basic assumptions and experiment with new models of job creation and skill formation. These efforts go by different names in different regions, but the southern variant may be termed as ***"jobs-centered development."*** A review of promising national and regional models suggests that successful ones share five ***basic goals***:

- They ***pursue a "triple-bottom line."*** For workers, they strive to build skills and careers; for businesses, supply skilled workers; for communities, increase prosperity.
- They ***target the demand side*** of the labor market and strive to engage employers – ideally multiple employers – in industries facing shortages of skilled workers. And in regions with weak labor markets and relatively few employers, it promotes entrepreneurship and business development opportunities tied to local assets.
- They ***build the skills of low-income individuals*** by providing the education and training opportunities needed to pursue careers in promising regional industries.
- They ***foster intermediary organizations*** able to steer development efforts due to a knowledge of target industries, and ability to integrate disparate public systems and an entrepreneurial mindset.
- They ***push for policy and institutional changes*** designed to make public institutions, labor markets and employers more responsive to the needs of low-income workers.

When analyzing jobs-centered development, it is necessary to differentiate between ***program models*** and ***development strategies***. In general, promising efforts are built around five key elements: 1) an awareness of the macro context, 2) an understanding of the regional economy, 3) a knowledge of industry needs, 4) a focus on worker needs and 5) a reliance upon intermediary organizations. These components may be combined to deliver various development strategies – strategies that may be grouped into four broad categories: 1) traded industry strategies, 2) non-traded industry strategies, 3) human capital strategies and 4) systems reform strategies.

Nationally, newer, more integrated strategies often are referred to as *sectoral development*. While the sectoral approach holds considerable promise, its relevance the South remains unproven. The model originated in large non-southern, metropolitan areas with thick labor markets and different policy traditions. Based on a review of the existing literature and interviews with regional experts, it appears that the conditions needed to sustain a pure sectoral approach exist in relatively few southern communities and even fewer non-metropolitan ones.

This report consequently uses the term "jobs-centered development" to denote a broader set of programs and strategies than captured in the existing national conversation about sectoral development. While the two concepts share much in common, jobs-centered development encompasses a wider range of strategies that potentially are applicable to a greater number of communities. Jobs-centered development, for instance, includes strategies aimed at fostering rural entrepreneurship. Such efforts are demand-driven in the sense that they help people take advantage of regional economic strengths but not in the sense of involving groups of established employers. A key aim of this study, then, is to prompt a discussion of how newer development approaches might benefit people and places that otherwise would be overlooked.

Based on a review of existing literature and interviews with regional and national experts, Southern leaders interested in jobs-centered development should keep seven lessons in mind:

- Successful efforts depend upon strong intermediary organizations.
- Two-year colleges have the potential to serve as valuable intermediaries across the South.
- Industry involvement is vital to success, but the optimal level of involvement is disputed.
- Strong civic leadership is indispensable to success.
- Third-sector efforts are essential to advancing equity.
- Issues of job quality, though vital, are difficult to address.
- The national policy landscape is becoming more favorable to jobs-centered development.

One lingering question is the relevance of jobs-centered development to an economy mired in the longest and arguably most severe recession of the postwar era – a recession that likely will be followed by a weak recovery. How might development approaches created in response to the tight labor markets of the late 1990s work in a jobs-shortage economy? Ironically, the non-metropolitan South may offer important lessons to the nation as many such places never recovered from the 2001 recession and have been economically stagnant ever since.

The following report analyzes the opportunities for jobs-centered development in the South. Six topics are addressed: 1) the project background; 2) a description of the southern economy; 3) low-wage work in today's South; 4) a critique of traditional economic and workforce development; 5) an analysis of jobs-centered development models and strategies; and 6) a discussion of lessons learned and looming challenges.

2. Project Background

Based in Winston-Salem, NC, the Mary Reynolds Babcock Foundation is a philanthropic organization dedicated to helping people and places in the American South move out of poverty.[1] To that end, the foundation has a long history of investing in efforts to create quality jobs, connect people to educational opportunities, build career pathways and deliver appropriate support services. The foundation consequently has a keen interest in understanding emerging currents and best practices in the fields of economic and workforce development.

In late 2008, the foundation commissioned South by North Strategies, Ltd., a public policy research and communications firm in Chapel Hill, NC, to conduct a scan of issues and opportunities in the economic and workforce development fields. The project's purpose was to shed insights into one basic question: ***what works where with whom***? The foundation's hope was that these insights could inform its work in the areas of economic and workforce development.

The scan was not intended to be a definitive survey of two extremely broad policy areas; rather, it was designed to spotlight promising practices and opportunities. Specifically, the scan involved three components: an analysis of key labor market data in southern states, a review of the existing literature in the fields of economic and workforce development and semi-structured interviews with ten regional and national experts in these fields.

A) Project Scope + Key Definitions

This scan focuses primarily on state-level economic and workforce development programs and policies that serve adults. This is not to say that investments in young people are unimportant, but rather, those investments by themselves will not produce changes fast enough to meet current economic needs. Additionally, comparatively fewer institutional resources exist to serve older individuals. State-level policies and programs are considered because states play outsized roles in economic and workforce development, particularly in the areas of greatest interest to the Babcock Foundation.

As mentioned previously, the lack of clear, consistent terminology was a recurring problem throughout the project. For the sake of clarity, the following definitions are used in this report:

- ***Jobs-centered development*** combines "education, human services, economic development and employment" with a focus on "identifying and accessing good jobs, networking among employers, building career ladders, enabling job retention and advocating policies in support of living wage jobs."[2] Put differently, the approach aims to blend the tools of economic and workforce development to cultivate the skilled workers demanded by specific industries, connect workers to better-paying jobs and careers, and reform public institutions and firm practices to better serve low-income individuals.

- ***Economic development*** is "the intersection of public policy and commerce for creating jobs, prosperity, business and wealth."[3] Economic development involves strategies for recruiting firms into an area, helping exiting firms to grow and fostering the creation of new businesses. Key state actors include commerce departments, postsecondary educational institutions, quasi-public organizations and business assistance groups.[4]

- ♦ ***Workforce development*** involves efforts to "provide, fund or induce increases in employment and skill levels as well as policies that redistribute opportunities for employment and skill increases."[5] Core functions include the education, training and retraining of workers; the matching of qualified workers to employment opportunities; and the enhancement of worker safety. Key actors include federally-funded career centers, community/technical colleges, adult literacy programs and public employment exchanges.

- ♦ ***Quality job*** describes a position that paid an hourly wage of at least $13.20 in 2005 (the inflation-adjusted equivalent of the 1979 median wage) and offers health care and retirement benefits.[6] Benchmarking the hourly wage rate to the 1979 median captures the degree to which overall economic growth has raised wages, and including benefits reflects the American reality that jobs are important sources of wages and insurance. Although other factors contribute to job quality, wages and benefits are perhaps the most fundamental elements and the most objective ones to measure.[7]

- ♦ ***Low-income*** describes an individual, household or family with an annual income at or below 200 percent of the federal poverty level ($42,406 for a four-person family in 2007).[8] By capturing individuals, households and families that earn too much to be "officially" poor but too little to be truly self-sufficient, the low-income criterion provides a better estimate of hardship than is offered by the outdated federal poverty level.

3. Transforming – Partly – the Southern Economy

The South has undergone a remarkable economic transformation in the 65 years since the end of the Second World War. Prior to the war, the region lagged behind the rest of the nation on most key measures of economic well-being. In its landmark 1938 *Report on Economic Conditions the South*, for instance, the National Emergency Council found that "the richest State in the South ranks lower in per capita income than the poorest state outside the region."[9]

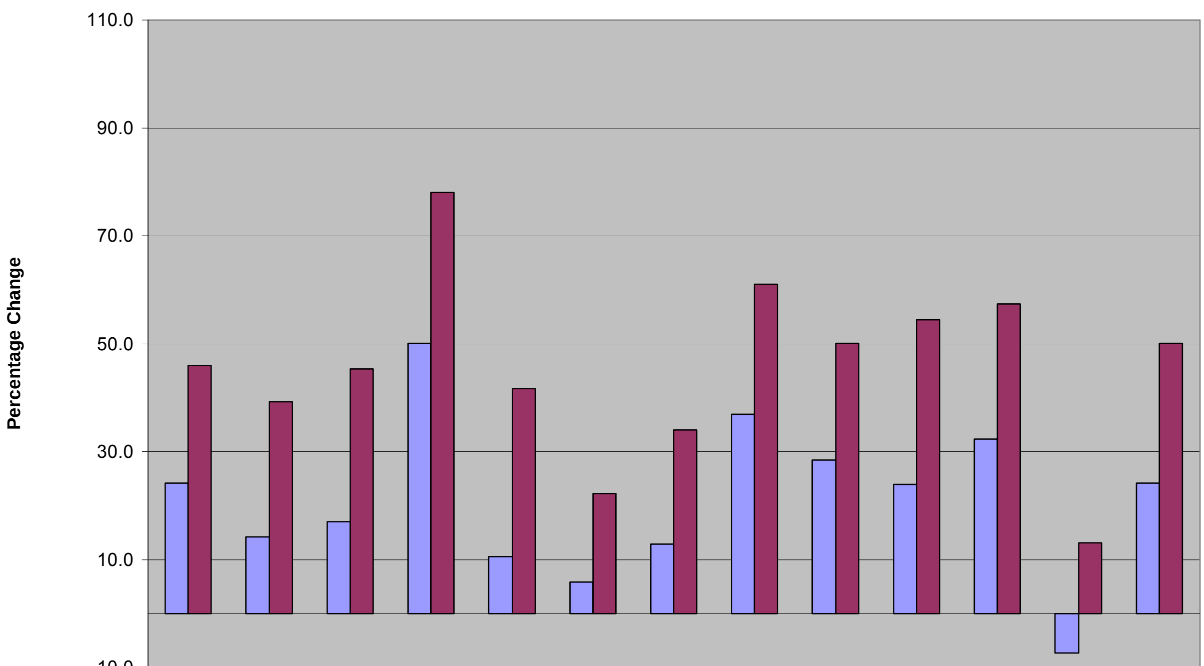
For ordinary Southerners, the prewar era was marked by high levels of unemployment and poverty. Jobs were relatively scarce and workers were relatively plentiful due to the region's chronic agricultural problems, high rate of population growth, tolerance of female and child labor, and weak labor market institutions. Employment opportunities generally were confined to agricultural work, often on a tenant or sharecropping basis, and low value-added manufacturing. Neither paid well. In the late 1930's, the typical Southerner earned $314 annually ($4,617 in 2007 dollars) or half as much as the typical American worker.[10] Due to the barriers imposed by segregation, African-American residents earned even less.

By the late 1930s, national policymakers viewed the South as, in the words of President Franklin Roosevelt, "the nation's No.1 economic problem."[11] The proto-Keynesian economics that influenced many New Dealers led them to believe that improving the wages and incomes of Southerners was essential to bolstering and sustaining aggregate demand at a level needed to avert future depressions. New Dealers with ties to organized labor, meanwhile, saw the South's low-wages and low-road labor practices as threats to all workers and the gains won by unions (a sentiment that inspired the 1938 Fair Labor Standards Act).[12] To increase the number of high-wage jobs in the South, national policymakers planned to invest heavily in the region.[13] These investments, which assumed unintended forms following the outbreak of World War II, included federal spending on defense facilities and industries, physical infrastructure, research and development and, to a lesser degree than elsewhere, social programs.

The increasing availability of federal resources soon caught the attention of the South's emerging class of "business progressives." These rising leaders used their state-level power to mold the ways in which federal funds were used, nurture favored industries and build political platforms centered on economic growth rather than segregation.[14] As those leaders accumulated power, they began to invest state resources in efforts to expand further the region's economic base and cultivate the needed workforce. It was hardly coincidental, for example, that North Carolina Gov. Luther Hodges (1954-61) was the patron of both the Research Triangle Park and the network of industrial education centers that later grew into the community college system.[15]

Viewed from one perspective, these efforts have paid impressive dividends. In a relatively short time, the South morphed from the nation's regional economic laggard into a leader. Between 1980 and 2000, the total number of southern jobs increased by 50.1 percent.[16] At the same time, people from other parts of the country and world migrated to the South, leading to a 24.1-percent population increase.[17] Every southern state save West Virginia added residents, and every one posted double-digit rates of job growth **(Figure 1)**.[18] Not only did the South grow more populous, but it also became more prosperous. For example, regional personal per capita income – an important yardstick of economic well-being – swelled by 43.4 percent in inflation-adjusted terms. On an annualized basis, nine southern states posted per capita income growth rates at or above the national one.[19]

Figure 1: Percentage Change in Population and Jobs, Southern States, 1980-2000



	US	AL	AR	GA	KY	LA	MS	NC	SC	TN	VA	WV	South
Population	24.2	14.2	17.0	50.0	10.5	5.8	12.8	36.9	28.4	24.0	32.3	-7.4	24.2
Jobs	46.0	39.2	45.3	78.1	41.7	22.2	34.0	61.0	50.0	54.4	57.3	13.1	50.1

Source: U.S. Bureau of Economic Analysis

Viewed from another perspective, however, little seems to have changed for the region's low-income people and places. Despite decades' worth of investment and growth, southern states still lag behind the rest of the nation on numerous important measures of prosperity. By 2005, Virginia was the only southern state where per capita personal income was at or above the national level, and southern states accounted for 10 of the 18 with the lowest per capita income levels.[20] Nine southern states also ranked among the nation's seventeen poorest.[21]

The relative lack of progress is a byproduct of the kinds of development policies used in the South **(see Sections 4 & 5)**. While the desire to improve jobs and wages inspired the New Dealers' interest in the region, the political need to maintain the support of southern Democrats hindered the adoption of policies that could produce more equitable growth. Absent federal mandates, the South's business progressives implemented policies "designed not so much as to uplift poor people as to enrich poor places."[22] This focus surely increased the number of southern jobs but did little to ensure that those jobs were quality ones.

Consider manufacturing. Because the South lacked the resources and amenities needed to attract advanced manufacturing industries, states instead strove to recruit "highly competitive, labor-intensive operations whose profits might be sensitive to the slightest rise in labor costs" such as textile manufacturing.[23] Maintaining low cost, however, required southern states to hold down labor costs by deterring unionization, steering firms to areas with relatively captive labor forces, and limiting educational opportunities for workers. This led to a regional manufacturing industry that used less-skilled workers to produce comparatively low-value goods. As a result, southern manufacturing workers typically earned less than did their non-southern peers.

4. From Too Few Jobs to Too Few Quality Jobs

The failure of the South's economic transformation to benefit all of the region's people and places is reflected in numerous social and economic indicators. As was the case during the Depression, the region still lags behind the rest of nation on important measures of well-being.[24] Moreover, many modern Southerners face the same core problem that bedeviled their Depression-era counterparts: "the challenge of finding work that will provide a decent living."[25] Prior to the current recession, the key difference had been that modern workers confronted a relative lack of quality jobs rather than an absolute shortage. Understanding that change and its causes is essential to the deployment of jobs-centered development strategies in the South.

A) Measuring Economic Hardship in Today's South

Ironically, for the amount of academic, philanthropic, journalistic and political attention devoted to economic issues, there exist no definitive definitions or measures of economic hardship. The only official statistic – the federal poverty level (FPL) – widely is regarded as an outdated measure. Among its flaws, the FPL fails to account for geographical differences in living costs, overstates the share of income spent on food, ignores significant expenses like childcare and fails to account properly for taxes.[26] (In 2007, the FPL equaled $21,203 for a four-person family.)[27]

In response to those shortcomings, analysts across the country have proposed various alternative measures – measures that tend to fall into one of three categories. First, there are counts based on variations of the FPL first proposed by the National Academy of Sciences in 1995.[28] Second, some organizations have developed market-based methods for estimating how much income various household types need to pay for basic goods and services. The Georgia Budget and Policy Institute, for example, publishes a "Self-Sufficiency Standard."[29] Finally, inspired by recent efforts in Great Britain, some analysts have begun crafting measures of social inclusion that aim to track the extent to which all residents benefit from economic growth.[30]

Although each alternative has merit, each suffers from serious limitations. Variants of the FPL, for instance, tend to produce estimates that are not much higher than those found under the FPL and therefore likely undercount economic hardship. An alternative measure unveiled by the City of New York in 2008, for example, classified 23 percent of the city's residents as poor, compared to the official poverty rate of 18 percent.[31] Other methods, meanwhile, are not standardized and cannot be used to make geographic or temporal comparisons. For practical purposes, then, many analysts have come to define and measure economic hardship in terms of having a low income, meaning one below 200 percent of the FPL.

Based on that definition, 19.3 million Southerners – 34.6 percent of the region's residents – had low incomes in 2007 **(Figure 2)**.[32] Of this total, some 8.5 million individuals fell below the FPL, and another 10.8 million fell between 100 and 200 percent of the FPL. In every state but Virginia, low-income residents accounted for at least one third of the population.

Figure 2: Low-Income Persons in the South, 2007, by State

	All Persons		Persons Below the Federal Poverty Level		Persons Between 100% and 200% of the Federal Poverty Level		**All Persons with Low-Incomes (Below 200% of the Federal Poverty Level)**		Regional Rank by Low-Income Persons
State	#	%	#	%	#	%	#	%	1=Highest Share
AL	4,506,549	100.0%	759,835	16.9%	914,218	20.3%	**1,674,053**	**37.1%**	6
AR	2,753,919	100.0%	492,052	17.9%	626,278	22.7%	**1,118,330**	**40.6%**	2
GA	9,286,158	100.0%	1,323,828	14.3%	1,740,999	18.7%	**3,064,827**	**33.0%**	10
KY	4,120,513	100.0%	714,080	17.3%	828,198	20.1%	**1,542,278**	**37.4%**	5
LA	4,166,756	100.0%	775,425	18.6%	848,739	20.4%	**1,624,164**	**39.0%**	4
MS	2,821,649	100.0%	581,534	20.6%	649,970	23.0%	**1,231,504**	**43.6%**	1
NC	8,793,290	100.0%	1,258,988	14.3%	1,735,740	19.7%	**2,994,728**	**34.1%**	9
SC	4,270,155	100.0%	641,758	15.0%	845,738	19.8%	**1,487,496**	**34.8%**	8
TN	5,996,979	100.0%	953,865	15.9%	1,186,393	19.8%	**2,140,258**	**35.7%**	7
VA	7,466,205	100.0%	742,680	9.9%	1,039,043	13.9%	**1,781,723**	**23.9%**	11
WV	1,763,476	100.0%	298,172	16.9%	390,698	22.2%	**688,870**	**39.1%**	3
South	**55,945,649**	**100.0%**	**8,542,217**	**15.3%**	**10,806,014**	**19.3%**	**19,348,231**	**34.6%**	-
US	293,744,043	100.0%	38,052,247	13.0%	52,082,116	17.7%	**90,134,363**	**30.7%**	-

Source: 2007 American Community Survey

i. The Characteristics of Low-Income Southerners

Southerners of every age, gender, race, ethnicity and place wrestle with the challenges associated with having low incomes. While a detailed demographic analysis is beyond the scope of this paper, it is important to recognize that children, women, racial and ethnic minorities, immigrants and residents of non-metropolitan areas are disproportionately likely to have low incomes.

To summarize key differences, **Figure 3** presents the shares of Southerners who had low incomes in 2006-07 broken out by state and selected demographic characteristics.[33] In every state, a greater proportion of women than men have low incomes, as is the case for African-American residents compared to whites, Hispanic individuals relative to non-Hispanic ones and foreign-born persons compared to native-born ones. And in every southern state, at least one third of all children live in low-income households.

Figure 3: Low-Income Persons in the South, by Selected Characteristics, 2006-07

	Sex		Race		Ethnicity (1)		Place of Birth		Age
State	Share of Males	Share of Females	Share of Whites	Share of African Americans	Share of Non-Hispanics	Share of Hispanics	Share of Native Born	Share of Foreign Born	Share Under Age 18
AL	33.3	37.7	28.8	54.2	34.7	61.4	35.2	45.2	41.0
AR	37.3	43.7	35.4	64.2	39.2	65.3	39.8	59.8	51.0
GA	28.2	34.0	25.6	45.0	28.9	56.5	30.4	38.1	41.0
KY	33.4	38.3	34.8	49.7	35.4	71.3	35.3	56.5	43.8
LA	35.3	41.2	27.6	62.0	38.1	50.7	38.4	35.6	45.4
MS	40.9	47.1	31.8	63.2	43.4	68.7	43.8	55.8	53.9
NC	31.6	37.6	29.2	53.8	32.9	58.6	33.8	46.7	42.9
SC	31.1	38.9	29.5	49.4	34.4	59.1	35.0	42.2	43.9
TN	32.5	37.4	31.3	53.0	34.3	53.9	34.6	43.9	42.9
VA	21.9	27.1	21.6	37.5	23.3	43.0	24.1	29.0	32.1
WV	32.8	40.1	36.0	47.1	36.5	42.4	36.6	N.D.	46.3

Notes: (1) Due to small sample sizes in many southern states, the ethnicity figures should be viewed as illustrative rather than defintive. Source: Current Population Survey, 2006 and 2007

Low-income Southerners are found in every part of the region: urban, suburban and rural. An analysis of tax data pertaining to the receipt of the federal Earned Income Tax Credit sheds insights into the geographic distribution of the South's low-income persons. Established in 1975, the EITC is "a refundable federal income tax credit available to families who work but generally earn less than 200 percent of the federal poverty level."[34] Studies of the EITC have found that southern families are more apt to claim the credit and that rural southern families are more likely than any other kind of family to receive the EITC. Regionally, about 25 percent of all tax filers claimed the EITC in tax year 2001, with rural Southern families receiving the largest credits. This suggests that economic hardship runs "deeper" in the rural South.

Viewed in the aggregate, two geographic trends emerge. First, the share of families claiming the EITC is greater in the southern states on the Gulf Coast side of the region than those bordering the Atlantic Ocean. Second, the counties with the highest proportion of EITC claimants are those in the historic "Black Belt" stretching from the Virginia Tidewater through the coastal Carolinas into Alabama, Mississippi and Louisiana and up the Mississippi River. These trends are broadly consistent with other studies of southern growth. The 2007 *State of the South* report, for instance, found that Florida, Georgia, North Carolina, Virginia and Tennessee accounted for four out of every five net jobs added in the South between 1980 and 2000; similarly, 87 percent of the region's growth occurred in metropolitan areas.[35]

A final characteristic to note is that the majority of the South's low-income residents live in households in which someone is working. While the exact share of the low-income population deemed working varies depending on the definition, estimates suggest that it is large regardless of the definition used. For example, the Working Poor Families Project, a national effort to improve state workforce policies, classifies a family as "working" if it is employed for at least 39 weeks in a year. Of the southern families that met that criterion in 2005, 31 percent had low incomes **(Figure 4)**.[36]

B) The Growth of Low-Wage Work in the South

The fact that so many Southerners have low incomes despite working raises troubling questions about how the labor market functions. Unfortunately, southern leaders have paid little attention to questions of job quality and instead have focused on adding as many jobs as possible based on the belief that "any job is a good job." The failure to consider such factors as the industry in which a job is found, the actual occupation involved, the ways in which firms structure work and the degree to which public policy molds labor markets has permitted low-wage work to flourish.

Figure 4: Low-Income Working Families in the South, 2005, by State

	All Families (1)		Poor Families (2)		Low-Income Families (3)		Work Status of Low-Income Families		**Low-Income Working Families (4)**		Regional Rank by Low-Income Working Family
State	#	%	#	%	#	%	% Not Working	% Working	**#**	**%**	1=Highest Share
AL	543,566	100.0%	132,792	24.4%	276,230	50.8%	31.2%	68.8%	**189,965**	**34.9%**	3
AR	332,323	100.0%	77,125	23.2%	172,300	51.8%	29.2%	70.8%	**122,015**	**36.7%**	2
FL	1,919,568	100.0%	319,214	16.6%	805,240	41.9%	26.8%	73.2%	**589,255**	**30.7%**	8
GA	1,139,649	100.0%	205,974	18.1%	463,135	40.6%	30.1%	69.9%	**323,840**	**28.4%**	11
KY	505,479	100.0%	112,734	22.3%	238,495	47.2%	35.6%	64.4%	**153,655**	**30.4%**	10
LA	533,956	100.0%	145,077	27.2%	269,110	50.4%	34.0%	66.0%	**177,530**	**33.2%**	4
MS	353,863	100.0%	103,285	29.2%	204,490	57.8%	34.2%	65.8%	**134,635**	**38.0%**	1
NC	1,068,489	100.0%	211,359	19.8%	470,835	44.1%	27.9%	72.1%	**339,645**	**31.8%**	7
SC	490,768	100.0%	107,278	21.9%	232,200	47.3%	30.4%	69.6%	**161,705**	**32.9%**	5
TN	726,328	100.0%	149,447	20.6%	330,025	45.4%	32.6%	67.4%	**222,560**	**30.6%**	9
VA	891,668	100.0%	108,451	12.2%	263,795	29.6%	28.7%	71.3%	**188,020**	**21.1%**	12
WV	199,478	100.0%	49,487	24.8%	101,195	50.7%	36.0%	64.0%	**64,725**	**32.4%**	6
South	**8,705,135**	**100.0%**	**1,722,223**	**19.8%**	**3,827,050**	**44.0%**	30.3%	69.7%	**2,667,550**	**30.6%**	-
US	35,083,508	100.0%	5,965,441	17.0%	13,622,525	38.8%	29.1%	70.9%	**9,658,195**	**27.5%**	-

Notes: 1) A "family" is a primary married-couple or single parent with at least one child under age 18 present in the household. 2) A "poor family" is one with an income below the federal poverty level.3) A "low-income family" is one with an income below 200 percent of the federal poverty level. 4) A "low-income working family" is a family in which all family members age 15 and over either have a combined work effort of 39 weeks or more in the prior 12 months OR all family members age 15 and over have a combined work effort of 26 to 39 weeks in the prior twelve months and one currently unemployed parent looked for work in the prior 4 weeks. All numbers are survey estimates and vary according to the appropriate margin of error.

Sources: Population Reference Bureau, analysis of 2005 American Community Survey

i. Changing Industries and Occupations

Any analysis of the labor market must consider the industries and occupations involved. "Industry" classifies a job by the primary business activity conducted at a particular establishment, while "occupation" catalogs a job by the major tasks performed by a particular individual. An industry may employ numerous individuals in different occupations, and someone in a specific occupation may find work in a variety of industries.

Since the close of the Second World War, the South has undergone two major industrial shifts. The first shift involved a movement from agriculture to manufacturing, particularly in low value-added fields like textiles. Such industries provided relatively stable and decent job opportunities to individuals with modest levels of formal education. Yet recent economic changes and deliberate policy choices – particularly those regarding federal trade policy – have placed pressures upon traditional industries and have shifted the economy's industrial profile towards service and retail fields.

Figure 5 documents the change in the South's industrial profile between 1990 and 2005 Overall, private non-farm employment swelled by 38 percent or 9.9 million positions during that time.[37] Manufacturing employment fell sharply while retail and service-sector employment surged. In fact, service and retail fields now employ seven out of every ten private-sector workers in the South, and there now are more jobs in retail care than in manufacturing.[38]

The change in industry composition matters because job quality differs across industries. Manufacturing and production industries tend to have higher concentrations of quality jobs due to the comparatively high value of the goods being produced, the generally larger size of establishments and the greater union densities. Service industries, meanwhile, typically have jobs of a lower quality because these enterprises tend to add less value to inputs, operate smaller establishments and are less apt to be unionized. Additionally, service employment divides into two categories: poorly-paying fields that demand workers with relatively few skills and well-paying fields that require greater skill levels. In absolute terms, however, more positions are being created in the lower-paying tier.

Figure 5: Changes in Total Private Non-Farm Employment (Full- And Part-Time), by Industry, South, 1990-2005

	1990	2005	# Change 1990-2005	% Change 1990-2005	Share of All Employment 2005
Non-Farm Private Employment	20,127,042	26,813,472	6,686,430	33.2%	100%
Forestry, fishing, related activities, and other	178,384	190,311	11,927	6.7%	0.7%
Mining	208,115	168,688	(39,427)	-18.9%	0.6%
Utilities	152,669	113,228	(39,441)	-25.8%	0.4%
Construction	1,485,414	2,215,525	730,111	49.2%	8.3%
Manufacturing	3,970,568	3,242,815	(727,753)	-18.3%	12.1%
Wholesale trade	978,096	1,134,753	156,657	16.0%	4.2%
Retail trade	2,963,864	3,614,477	650,613	22.0%	13.5%
Transportation and warehousing	832,325	1,156,042	323,717	38.9%	4.3%
Information	458,036	577,020	118,984	26.0%	2.2%
Finance and insurance	924,849	1,216,304	291,455	31.5%	4.5%
Real estate and rental and leasing	658,403	1,147,127	488,724	74.2%	4.3%
Professional and technical services	1,121,118	1,811,490	690,372	61.6%	6.8%
Management of companies and enterprises	253,688	328,753	75,065	29.6%	1.2%
Administrative and waste services	937,202	1,942,447	1,005,245	107.3%	7.2%
Educational services	251,859	503,358	251,499	99.9%	1.9%
Health care and social assistance	1,687,153	2,840,127	1,152,974	68.3%	10.6%
Arts, entertainment, and recreation	307,139	527,481	220,342	71.7%	2.0%
Accommodation and food services	1,418,544	2,199,022	780,478	55.0%	8.2%
Other services, except public administration	1,339,616	1,884,474	544,858	40.7%	7.0%

Source: U.S. Bureau of Economic Analysis

These trends also are reflected in changes to the region's occupational profile. Today, many of the fastest-growing occupations are those with employment opportunities in service industries, particularly those related to food preparation and health care. In North Carolina, for instance, food preparation and service occupations are expected to have nearly 19,000 annual openings (growth and replacement) each year between 2006 and 2016 (the current forecast period), while health care support occupations are estimated to have approximately 6,300 openings per year.[39]

In general, lower-paying positions have added, and are projected to keep adding, positions. In 2005, the share of southern jobs in occupations that paid wages below the amount needed to sustain a four-person family at the federal poverty level ranged from a low of 21 percent in Virginia to a high of 38 percent in Mississippi **(Figure 6)**.[40] Moreover, such low-paying service-related occupations as cashiers, cooks and housekeepers are the very ones expected to grow robustly over the next decade.

Figure 6: Percentage of Jobs in Occupations with Median Annual Incomes Below the Poverty Threshold for a Four-Person Family, by State, 2005

AL	32.1	MS	37.7
AR	36.1	NC	23.7
FL	26.1	SC	32.9
GA	23.6	TN	26.3
KY	27.0	VA	20.6
LA	36.3	WV	39.0

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau

ii. Changing Workplaces and Public Policies

Shifts in the South's industrial and occupational composition have occurred alongside changes in the ways in which firms organize their internal labor markets. Due to cost-cutting, profit-maximizing and competitive pressures, many firms have abandoned stable, long-term labor relationships in favor of flat organizational structures and contingent employment relationships. This permits workforces to be increased, decreased or restructured as needed. Such trends are particularly pronounced in non-manufacturing industries. For example, Arkansas-based Wal-Mart Stores is known for its high-turnover employment model designed to keep wages low, minimize benefit expenses, shift costs and deter unionization.[41] Such policies undercut employment security, limit wage and benefit gains and reduce advancement opportunities.

The weakening and abandonment of public policies designed to improve the treatment and bargaining power of workers and ensuring an equitable distribution of economic prosperity has compounded these shifts.[42] The erosion in the value of the minimum wage, a decline in the enforcement of labor standards, an abandonment of full-employment policies, a weakening of unions – these and similar policy choices have constrained the ability of workers to share the benefits of economic growth. In an ironic inversion of the hopes of the New Dealers, these developments have brought the country more in line with traditional southern labor practices.

C) The Bottom Line: A Disconnect Between Work and Wages

Taken together, changes in industrial structures, occupational structures, firm practices and public policies have led to an increase in the number of low-quality jobs available to workers. Nationwide, one quarter of all jobs in 2005 paid less than $13.20 per hour and provided neither health care nor retirement benefits. In the South, the share of such "bad jobs" ranged from a high of 36 percent in Arkansas to a low of 28 percent in Virginia **(Figure 7)**.[43]

Figure 7: Share of Workers with "Bad Jobs" and Share without Employment-Based Benefits, by Southern State, 2003-05

State	Share in Bad Jobs	Share without Health Insurance	Share without Employment-based Pension
AL	30.8	45.0	50.4
AR	36.4	52.0	57.6
FL	33.0	48.5	61.0
GA	28.5	45.6	55.0
KY	30.3	43.4	51.2
LA	33.3	66.7	56.5
MS	33.9	48.3	55.2
NC	34.2	46.2	56.5
SC	31.6	45.8	53.3
TN	31.7	46.6	54.3
VA	27.8	43.9	49.8
WV	33.5	49.0	52.2

Source: Randy Albelda and Heather Boushey, *Bridging the Gaps: A Picture of How Work Supports Work in Ten States*, Center for Economic and Policy Research, Washington, D.C., 2007.

Such "bad jobs" might be tolerated if they represented a first or temporary stop on an advancement path, but mounting evidence suggests that low-quality jobs typically are a destination rather than a starting point.[44] The result: a growing disconnect between the wages and benefits provided by many jobs and the resources needed to provide for basic living expenses, to say nothing of advancing or building wealth. Ironically, the South has grown richer at the same time that a sizable segment of its population has regressed economically.

Figure 8: Change in Real Gross Domestic Product by State Per Worker, 2000-06

State	2000	2006	$ Change	% Change
AL	$47,416	$51,958	$4,542	9.6%
AR	$44,419	$48,471	$4,052	9.1%
GA	$59,458	$60,819	$1,361	2.3%
KY	$47,984	$51,767	$3,783	7.9%
LA	$54,703	$60,372	$5,669	10.4%
MS	$43,054	$45,863	$2,809	6.5%
NC	$55,574	$61,763	$6,189	11.1%
SC	$49,106	$51,146	$2,040	4.2%
TN	$50,008	$55,299	$5,291	10.6%
VA	$59,161	$64,817	$5,656	9.6%
WV	$46,780	$48,687	$1,907	4.1%
US	$58,462	$63,029	$4,567	7.8%

Note: All dollar figures are chained 2000 dollars.
Source: U.S. Bureau of Economic Analysis

This disconnect manifested itself clearly during the last business cycle. Measured on a per-worker basis, real gross state product (GSP) rose in every southern state **(Figure 8)**.[45] Put differently, southern workers became more productive.

Yet while rising real GSP creates the potential to improve living standards, few households gained. During the business cycle, unemployment rates rose in nine states, and the share of the population that was employed declined in six. Median hourly wages fell in three states while median household income contracted in seven states. Poverty rates also rose in nine southern states.[46] Most gains flowed to the region's wealthiest households, thereby fueling a rise in income inequality.

5. Traditional Economic and Workforce Development: Methods and Limits

The rise of low-quality jobs across the South is intertwined with the region's methods of economic and workforce development – methods that generally have focused on economic growth to the exclusion of economic equity. The longstanding assumption has been that public efforts to leverage business investments will create jobs, which will produce opportunities for individuals; those opportunities, in turn, will lead social problems to resolve themselves. This has not happened. Rather, the avoidance of questions of economic structure and distribution has produced policies that have failed to benefit low-income people and places. Understanding that failure requires a familiarity with the purpose, elements, evolution, and limitations of economic and workforce development policies.

A) Economic Development Policy

Economic development is "the intersection of public policy and commerce for creating jobs, prosperity, business and wealth."[47] Arguably, federal, state and local governments have engaged in such activities since the country's founding. Tariff systems, land grants, extension services, internal improvements – all of these efforts and more strove to build a foundation for growth, nurture specific industries and expand the economy. These historical initiatives, however, were too sporadic and diffuse to form a discrete area of public policy.[48]

Modern economic development emerged during the Great Depression, specifically in 1936 when Mississippi launched the "Balance Agriculture with Industry" (BAWI) program. BAWI enticed industrial firms to locate in Mississippi by subsidizing moving and facility costs. Government entities would issue tax-exempt bonds, use the proceeds to build facilities and then lease the facilities to firms at nominal prices.[49] Although subsidies previously had been offered, BAWI established a coordinated framework and ushered in "an era of more competitive subsidization and broader state and local government involvement in industrial development efforts."[50]

i. The Purpose of Economic Development

An original criticism of BAWI was that it did not serve a public purpose since the prime beneficiaries were the subsidized firms and, indirectly, the workers employed at those firms. What was the public benefit? BAWI's supporters responded that the subsidies served the general welfare by creating employment opportunities.[51] Somewhat surprisingly in a nation allegedly skeptical of public involvement in private enterprise, this rationale quickly gained popular support not just in the Magnolia State but across the country.[52]

Today, state economic development officials typically offer two justifications for their actions. First, such efforts are seen as ways of increasing employment opportunities. The public purpose, then, is job growth. Second, public actions sometimes are justified as ways of expanding the local tax base, which in turn will finance improvements in a community's well-being. Seen this way, the public purpose is community development.[53] While both rationales are used, the job growth one is more common. The Alabama Development Office, for example, claims "one mission – simply to create jobs in Alabama."[54]

ii. The Elements of Economic Development

In the seven decades since BAWI's creation, states have become the ***dominant actors*** in economic development. While the federal government plays a role through macroeconomic policies, funding streams and agencies like the Small Business Administration, few federal endeavors concentrate specifically and systematically on state, regional and local economies. Even those with a subnational focus – such as the Appalachian Regional Commission and Delta Regional Authority – operate in partnership with state and local authorities.[55] Local governments also sponsor economic development activities, though many local efforts look to state agencies for guidance.

Because states are the primary economic development actors, ***governance and organizational structures*** vary. Southern states vest general responsibility in various agencies, boards and authorities that are responsible, to differing degrees, for governance, goal setting and policy formulation. Substantive work typically rests in a state-level agency, commonly a commerce department **(Figure 9)**. These agencies serve as the lead development organizations and partner with other state agencies, public universities and two-year colleges, along with assorted regional and local bodies. Many states also contain quasi-public groups with economic development missions. For instance, the North Carolina Rural Economic Development Center, a nonprofit entity, receives some $50 million in state funding to assist rural areas.[56]

Figure 9: Lead State Agencies for Economic Development

State	Agency
AL	Alabama Development Office (Commerce)
AR	Economic Development Commission
GA	Department of Industry, Trade and Tourism
KY	Cabinet for Economic Development
LA	Department of Economic Development
MS	Mississippi Development Authority
NC	Department of Commerce
SC	Department of Commerce
TN	Department of Economic Development
VA	Virginia Economic Development Partnership
WV	West Virginia Development Office

Sources: U.S. Department of Commerce

In principle, economic development agencies ***serve diverse stakeholders***: communities, businesses and workers.[57] Consider Mississippi, where the state development authority provides recruitment, growth and expansion services targeted towards businesses and community development support in areas like downtown revitalization.[58] In other states, like South Carolina, the same agency provides workforce services as well.[59] Despite serving multiple stakeholders, agencies normally devote special attention to business clients. This preferential treatment reflects the overarching belief that private-sector investment can best fuel growth.[60]

Consistent with that view, state agencies normally stress ***business development efforts***. These efforts typically take one of three forms: business attraction, business expansion or business formation.[61] Business attraction activities aim to recruit enterprises into a state, while expansion efforts aim to help existing firms grow by, for example, providing access to capital or helping export goods and services. Finally, business formation activities involve efforts to foster entrepreneurship. While all of these activities are legitimate, the recruitment function often is the one to which the greatest resources are devoted. Moreover, recruitment efforts often attract considerable attention because they typically involve large projects and public subsidies. These subsidies have become flashpoints for controversy in many states.

The ***performance measures*** used by development agencies reflect an emphasis on businesses and recruitment activities. Agencies track success in terms of inputs and outputs, mainly firm-based ones like the number of jobs created or the amount of private investment leveraged by public dollars. Community-based measures sometimes are used, but when they are, they frequently only gauge changes in the tax base. Job-quality metrics seldom are compiled.

iii. The Evolution of Economic Development

In the public mind, economic development is conceptualized in terms of recruitment and public subsidies. Yet this view obscures the fact that development practices have evolved over time.

The ***first wave*** of economic development was predominately a southern response to the Great Depression and modeled after Mississippi's BAWI program. Such efforts aimed to spark economic growth – defined exclusively in terms of job creation – by importing firms from other parts of the country. To that end, states honed sophisticated chasing and acquisition strategies.[62] Southern leaders "sold" the region and its "favorable business climate" as an ideal location for the branch plants of labor-intensive, cost-sensitive enterprises, making goods at a late stage in the production cycle. Put differently, Southerners marketed their states as low-tax, low-regulation places blessed with low-wage, non-unionized workers.[63] And as needed, leaders would use public funds to subsidize certain business costs.[64]

First-wave methods have become known as "Smokestack Chasing" or the "Buffalo Hunt."[65] It is important to note that these chasing strategies never were limited to firms; rather, southern states chased federal funds, export markets, tourists and retirees.[66] Central to these efforts was an emphasis on prospects that were relatively inexpensive to attract and would demand few public services. Thus, an intense effort to woo footloose industries like textiles emerged.[67]

Two other aspects of first-wave models are noteworthy. First, they represent a kind of "laissez-faire interventionism." While regional leaders believed that public actions and subsidies were needed to foster economic growth, only actions that met business needs were endorsed, and policies that would promote a more equitable distribution of economic growth and advance social goals were opposed bitterly as unwarranted interventions in the free market – a legacy evident in the South's weak minimum wage laws, paltry social insurance systems and strict anti-union laws.[68] Second, for a variety of reasons, first-wave models evolved differently in North Carolina. Prior to 1996, the Tar Heel State did not provide direct tax subsidies and instead relied upon public investments in infrastructure and services.[69]

The ***second wave*** of economic development took form in the late 1970s and 1980s in response to the 1970s slowdown, pushback from states that had been losing industry, and shifts in the global economy. States consequently refocused their efforts on self-improvement and competitiveness and sought to cultivate internal sources of growth. Second-wave approaches involve efforts to improve educational and training opportunities, upgrade public universities, incent advanced research and commercialize promising innovations.[70] Perhaps the key shift is that first-wave methods take their cues from existing private-sector actors while second-wave methods seek to create and seize opportunities.[71] Second-wave programs include such things as the creation of the North Carolina Microelectronics Center. As with first-wave initiatives, second-wave ones take little interest in issues of economic structure, distribution and equity.

The ***third wave*** of economic development took root in the 1990s and grew in importance following the 2001 recession. Third-wave efforts remain ill-defined, but they generally look to use a deep knowledge of business processes and local economies to shape how firms, industries and local economies operate. Perhaps the best-known third-wave approach is cluster development, which is rooted in the idea that areas have distinctive industrial strengths. Specifically, a cluster is a "geographically bounded concentration of similar, related and complementary businesses with active channels for business transactions, communications and dialogue, that share specialized infrastructure, labor markets and services, and that are faced with common opportunities and threats."[72] Clusters provide a lens for seeing regional economic strengths, the ties among firms, and the resources needed to cultivate regional strengths.[73] More broadly, third-wave initiatives blend elements of the first two development waves with innovative approaches, such as rural entrepreneurship.[74] Yet as with the other approaches, third-wave efforts pay only marginal attention to questions of economic fairness.

iv. The Limitations of Economic Development

Although southern economic development strategies have grown more sophisticated over time, their effectiveness remains the subject of contention. Four criticisms frequently are raised.

First, for all the talk about waves of development, ***economic development still revolves around the recruitment of businesses through the use of public subsidies.*** One North Carolina study found that the state spent $6 on recruitment activities for every $1 spent on business expansion initiatives in 2003.[75] And the role of recruitment appears to be escalating. Over the past decade, North Carolina aggressively entered the subsidy game, and state bidding wars intensified. In 2007, Alabama and Louisiana both offered over $1 billion in subsidies to ThyssenKrupp, a German firm, to open a 2,700-employee steel plant that eventually was sited near Mobile.[76] Similarly, Tennessee awarded $500 million to Volkswagen to locate near Chattanooga.[77]

Second, despite involving sizable public resources, ***economic development spending rarely is tracked systematically.*** Monitoring is particularly difficult since subsidies typically are tax expenditures, not direct appropriations. An analysis by the Mountain Association for Community Economic Development found that Kentucky spent $808 million on economic development in 2004; of that amount, $571 million was delivered through the tax code.[78] In the same vein, a study by the North Carolina General Assembly found that the state spent $1.2 billion in tax expenditures related to economic development in fiscal year 2007.[79] In both states, these expenditures took place outside of the normal appropriations and accountability channels.

Third, ***there is no concrete evidence that subsidies influence firm behavior.*** Research suggests that firms base their decisions primarily on such factors as market access, purchasing power and labor availability.[80] This may explain why firms often reject more generous subsidies to locate in distressed areas and choose more prosperous communities. If subsidies have no more than a marginal impact, the funds may be better spent on other needs.

Finally, ***the southern model of economic development has done little to help low-income people and places.*** Selling the region on the basis of low costs – code for low wages – has bred poor quality jobs. And by diverting public resources to subsidies, the southern model has starved communities of the dollars needed to make long-term investments, thereby locking in "a self-perpetuating pattern of slow growth."[81] In a way, this approach has placed many smaller regions in a race against time in which they either move up the value chain or lose ground due to globalization.

This is not to say that economic development policy is incapable of benefiting low-income people and places. The potential is there, but to tap it, officials responsible for economic development must be willing to incorporate accountability standards into subsidy packages. Some government agencies that provide subsidies, for instance, enter into formal performance agreements with subsidized firms and retain the ability to recover funds if firms fail to meet their responsibilities. Ironically, research into the ways in which local governments award subsidies suggest that poorer places "give more business subsidies, and, at the same time, they use fewer controls to minimize the risk and uncertainty associated with subsidies."[82] In some communities, the public sector's refusal to insist on accountability standards has sparked the creation of community-based efforts to ensure accountability in local economic development activities.

B) Workforce Development Policy

Workforce development seemingly represents the reverse side of the economic development coin. After all, how can a community grow jobs if it lacks workers? Yet in practice, the two policy areas have unfolded along different, unconnected tracks. That is because workforce development has become defined as an anti-poverty activity rather than a business one.

The purpose of workforce development is to "provide, fund or induce increases in employment and skill levels and redistribute opportunities for employment and skill increases."[83] Essential workforce development tasks include the building of education and skills, the matching of workers to opportunities and the enhancement of employment security. At the broadest level, workforce development focuses on individuals of all ages, but in practice, it is associated narrowly with efforts to assist disadvantaged individuals through a mix of "second chance employment and training programs."[84]

<u>*i. The Purpose of Workforce Development*</u>

As with economic development, critics have asked whether or not workforce development is a legitimate public activity. On one level, the beneficiaries are the individual workers who receive services and, indirectly, the firms that employ those workers. On another level, the private sector already provides various workforce development services. Estimates suggest that private employers in the United States already spend at least $100 billion annually on employee training, while individuals personally invest billions more each year in education and training.[85] Additionally, private enterprises like staffing firms exist to sell job matching services.

In response, public officials have offered two rationales. First, public activities improve market efficiency. Although both firms and individuals invest in education and training, there exist powerful incentives for both groups – from a social perspective – to under-invest. Firms often fear that workers who receive employer-financed training will leave for competitors, and individuals fear that training for which they pay will not lead to wage gains.[86] Second, public involvement is regarded as necessary to ensure equity for disadvantaged populations. Various studies have found that "training in private firms is biased away from low-skilled frontline workers" and that private placement agencies generally "do not help people at the bottom of the labor market."[87] Public action therefore is required to ensure equality of opportunities.

ii. The Elements of Workforce Development

Policymakers and academics often speak of a unified "workforce development system." While this image captures the bureaucratic aspects of workforce development, it is highly misleading as there is no single coherent workforce development system. In reality, the workforce development system is a set of "multiple 'non-systems,' each with their own definitions of the problem, preferred solutions, performance metrics and funding silos."[88]

Unlike economic development policy, the ***federal government*** plays an active role in workforce development with federal funding streams and regulations fixing the basic contours of state systems. In 2002, according to the U.S. Government Accountability Office (GAO), nine federal agencies sponsored 44 different workforce development programs.[89] In 2007, a more focused study sponsored by The Workforce Alliance, a national public policy organization, identified 16 key federal programs (some of which were not included in the GAO study) scattered across five agencies.[90] For the purposes of this report, the federal programs identified by The Workforce Alliance are the focus of attention **(Figure 10)**.

Figure 10: Key Federal Workforce Development Programs, 2007

Agency	Program	Program Type	Program Service
Department of Labor	Workforce Investment Act (Title I)	Formula grant to states	Training leading directly to employment
	Wagner-Peyser Act	Formula grant to states	Labor-exchange services
	Trade Adjustment Assistance	Direct benefit (entitlement) to individuals; service funding	Classroom, remedial and customized training
Department of Education	Pell Grants	Entitlement funded through annual appropriation	Higher education
	Perkins Vocational Education	Formula grant to states	Voacational education (secondary and post-secondary)
	Adult Education & Family Literacy Act	Formula grant to states	Adult basic skills
	Vocational Rehabilitation State Grants	Formula grant to states	College, vocational training, skills training, tutoring, coaching
Department of Health and Human Services	Temporary Assistance for Needy Families	Formula grant to states	Vocational educational training, secondary school attendance and employment-related education
	Social Service Block Grant	Formula grant to states	GED, high school, post-secondary education and employment-related training
	Community Services Block Grant	Formula grant to states	GED, high school, post-secondary education and employment-related training
Department of Agriculture	Food Stamp Employment and Training	Formula grant to states	Basic skills, self-sufficiency
	Community Development Block Grant	Formula grant to states	Varies
Department of the Treasury	Hope & Lifetime Learning Credits	Tax preference	Post-secondary education
	Tuition and Fees Deduction	Tax preference	Post-secondary education
	Student Loan Interest Deduction	Tax preference	Post-secondary education
	Employer Tuition Assistance	Tax preference	Post-secondary education

Source: Gwen Rubinstein and Andrea Mayo, *Training Policy in Brief: An Overview of Federal Workforce Development Policies*, The Workforce Alliance, Washington, D.C., 2007, pp. 5-7

The most important federal training program is *Title I of the Workforce Investment Act of 1998* (WIA). Title I provides funding to the states to support the provision of workforce services to adults, dislocated workers and low-income youth (ages 14-21). States, in turn, must pass 85 percent of their grant awards to local areas, which are responsible for providing services through networks of "One Stop Career Centers." The remaining funds support statewide activities. In federal fiscal year 2006, Title I provided $864 million to the states. Note that the WIA program expired in 2003, though Congress continues to provide funding.[91]

WIA also authorizes funding for two other workforce systems. *Title II, the Adult Education and Family Education Act (AEFLA)*, funds services for adults who lack basic literacy skills, a secondary credential or English language ability. In fiscal year 2006, Title II provided $580 million to the states. Responsibility for program administration varies greatly among states.[92] Second, *Title IIA, the Wagner-Peyser Act*, supports the Employment Service, which aims to match workers to job opportunities. In federal fiscal year 2006, $716 million was provided to the states for this purpose, and in every state, responsibility rests with the agency that oversees unemployment insurance.[93] Additionally, though not authorized under WIA, *Trade Adjustment Assistance (TAA)* is intertwined with Title I programs in many states. TAA supports workforce services targeted to individuals who have lost a job directly due to foreign trade. In fiscal year 2006, $259 million was provided to the states.[94]

Federal initiatives provide funding and basic programmatic frameworks, but ***state governments*** play a pivotal role in administering those programs. Even more importantly, states sponsor two-year colleges, which are essential to the provision of workforce development services, especially for low-income or working adults. Southern states operate over 300 community colleges and technical institutes, which provide educational opportunities and workforce services of various types.[95] For instance, many states provide customized training services that help firms upgrade the skills of incumbent workers. Besides providing state-funded services, two-year colleges interact with the federal workforce programs by receiving funds (e.g. Pell grants), administering programs (e.g. adult literacy) or providing services (e.g. training TAA clients).

For the purposes of this paper, four major workforce systems are critical: two-year colleges, adult basic education (in some states part of the two-year college system), the employment service, and WIA. **Figure 11** lists the lead agencies in each southern state.

Figure 11: Lead State Agencies for Selected Workforce Systems

State	Two-Year Colleges	Adult Literacy	Employment Service	Workforce Investment Act
AL	Alabama College System	Alabama College System	Department of Industrial Relations	Department of Economic and Community Affairs (Office of the Governor)
AR	Department of Higher Education	Arkansas Department of Workforce Education	Department of Workforce Services	Arkansas Workforce Investment Board
GA	Department of Technical Education; University System	Technical College System of Georgia	Department of Labor	Georgia Department of Labor
KY	Community and Technical College System	Council on Postsecondary Education	Office of Employment and Training	Division of Workforce Services
LA	Community and Technical College System	State Department of Education	Louisiana Workforce Commission	Department of Labor
MS	State Board for Community and Junior Colleges	State Board for Community and Junior Colleges	Department of Employment Security	Mississippi Development Authority
NC	North Carolina Community College System	North Carolina Community College System	Employment Security Commission	North Carolina Department of Commerce
SC	South Carolina Technical College System	State Department of Education	Employment Security Commission	South Carolina Employment Security Commissior
TN	Tennessee Board of Regents	State Department of Labor and Workforce Development	Department of Labor	Department of Labor
VA	Virginia Community College System	State Department of Education	Employment Commission	Virginia Employment Commission
WV	Higher Education Policy Commission	State Department of Education	Bureau of Employment Programs	West Virginia Human Resource Investment Council

Sources: U.S. Department of Education; U.S. Department of Labor; American Association of Community Colleges

iii. The Evolution of Workforce Development

As with economic development, federal, state and local governments long have supported workforce development efforts. For example, the federal government pioneered adult literacy instruction in order to improve the literacy skills of soldiers serving in World War II.[96] Yet the evolution of workforce development in its modern form has occurred largely since 1946.

During the Great Depression, workforce development was not seen as a discrete policy area; rather, the federal government pursued active labor market policies designed to promote full employment and ensure the optimal functioning of the labor market. This inspired the creation of the employment service, the establishment of unemployment insurance and mechanisms for public employment. After the war, however, policymakers divorced "active labor market policies, including workforce training, from national economic management" and pursued a two-tiered approach to education and training.[97] One track nurtured the development of first-chance institutions focused on younger individuals; the other encouraged second-chance programs to assist older individuals somehow failed by first-chance institutions.[98]

Modern workforce development initiatives began to take form in the 1960s as anti-poverty efforts. Starting with the Manpower Demonstration and Training Act (MDTA) of 1963, federal workforce efforts targeted disadvantaged groups, involved local governance and stressed small-scale efforts to improve individual skills. Unfortunately, these efforts often had little relation to local economic realities or the needs of area employers, so business involvement was minimal.

Subsequent decades witnessed an "overall narrowing in the ambition, ideas, target populations and funding,"[99] In 1973, the Comprehensive Employment and Training Act (CETA) replaced MDTA. CETA strengthened the local role in workforce development and provided for public employment. In 1982, CETA expired and was replaced by the Job Training Partnership Act (JTPA), which reduced funding, eliminated public employment and increased private-sector involvement. In 1998, WIA replaced JTPA and created a universal system.[100] While program names have changed over time, the basic assumptions and design elements have endured.

Tying workforce development to poverty alleviation guaranteed a lukewarm reception in the South. Southern elites generally welcomed federal aid targeted towards economic growth, but they resisted funding that might uplift the region's poor residents and upset existing social, class, racial and labor orders. Many states actively opposed "welfare" and chose to forgo federal support or to meet minimum requirements. A major exception occurred in North Carolina, which in 1964 became the first state to apply for federal adult literacy funding.[101]

This is not to imply that southern states were uninterested in workforce issues. They were, and many built state-level systems designed to aid industrial recruitment, not alleviate poverty. This occurred because the South's relative lack of skilled workers often hindered state recruitment attempts. In response, states developed vocational training programs. In 1957, North Carolina became the first state to provide free customized industrial training to businesses.[102] It also established a statewide network of industrial education centers, which, in 1963, became the foundation of the community college system.[103]

Other southern states adopted similar measures, and today, vocational training, especially customized training, remains an essential ingredient in many regional economic development deals. Georgia currently is building a workforce training center and providing multi-year customized training for Kia Motors as part of $250 million package to bring an automotive plant to the Peachtree State.[104] It is important to recognize, however, that the investments in workforce services are not looked to as ways of helping low-income residents; rather they are looked to as mechanisms for meeting business needs and further subsidizing business costs.

Ironically, in reaction to the perceived shortcomings of workforce development, national policy has moved closer towards the southern approach and has become more demand-driven. Having adopted the mantra of "workforce development is economic development," practitioners are endeavoring to tie workforce systems – particularly those linked to two-year colleges – to businesses and economic development. Perhaps the best example of this is a "sector strategy," which aims "to build a workforce pipeline that meets the needs of firms and workers in a specific industry, typically one that is important to a region and offers quality jobs" (see **Section 6**).[105]

iv. The Limitations of Workforce Development

Despite individual successes, there exists a widespread sentiment that workforce development efforts "largely fail to satisfy the needs and aspirations of both job seekers/workers and businesses."[106] Six specific criticisms commonly are raised.

First, workforce programs, particularly those associated with WIA Title I, are thought to ***deliver few tangible results***. On this point, the evaluation literature is decidedly mixed and even studies reporting positive employment and earnings outcomes find those outcomes to be modest at best. At the same time, most programs spend relatively little on a per-participant basis, so "given this modest investment, a modest return is not surprising."[107] Many efforts also appear to deliver "positive impacts that are modest in magnitude but very impressive per dollar spent."[108] That said, the existing evaluation literature is unable to prove definitively either the usefulness or cost effectiveness of particular program models.

Second, the workforce system is ***overstretched and underfunded***. Workforce providers of all kinds – two-year colleges, literacy programs, one stop centers and employment exchanges – are expected to serve a diverse array of participants. A community college, for instance, may provide customized training to manufacturing employees, adult literacy instruction to low-skilled adults and vocational education to young adults. Yet funding typically has little relation to service expectations or costs. In fact, the federal government now spends less on workforce development in both inflation-adjusted and relative terms than it did in 1979, even though local partners now provide more services.[109] Similarly, many states have asked their two-year colleges to serve more students without additional funding, thereby reducing per student funding levels.

Third, the workforce development system is regarded as ***fragmented and disconnected from local economic conditions***. On one level, responsibility for workforce development is scattered among diverse agencies, meaning that programs do not connect seamlessly. Few individuals in adult literacy courses ever enroll in postsecondary courses at a community college, for instance, nor do workforce development programs regularly connect with local firms. When combined with the funding limitations discussed previously, the fragmented nature of the workforce development system precludes successful initiatives from achieving scale.

Fourth, workforce development policies ***suffer from conflicting goals***. On one hand, workforce development is intended to help people improve education and skill levels to the level needed to find and hold quality jobs. This often is a lengthy process, as many quality jobs typically require workers with some level of postsecondary education. On the other hand, many programs embody

the "work first" approach of welfare reform and aim to attach people to any job as rapidly as possible. The result: many people who neither develop skills nor become self-sufficient.
Fifth, workforce programs, especially WIA, rely upon ***flawed performance measures.*** The standard set of federal measures stresses job placement, job retention and earnings.[110] This emphasis creates incentives for local providers to favor a "work first" approach over education and training and to avoid serving individuals with more complex needs.[111] The measures also fail to capture the full-range of services involved, account for the characteristics of local populations and communities, and generate data that are consistent nationally.[112]

Finally, workforce development often ignores questions of ***political economy.*** Fundamental to the policy area is "the conviction that the unemployment of the poor and that of the middle class were fundamentally different phenomena."[113] In short, people are poor due to personal deficiencies, not due to the ways in which labor markets function. The solution then is simple: help disadvantaged people develop the basic skills needed to qualify for the first available job instead of addressing larger structural issues, such as the diminished bargaining power of skilled workers.

6. A New Approach: Jobs-Centered Development

Since the mid-1990s, southern leaders in the economic and workforce development fields have become increasingly aware of the limitations of traditional models and methods. This awareness, in turn, prompted some regional officials to question basic assumptions and search for more integrated models of job creation and skill formation like those taking root in other parts of the country. These efforts go by different names in different regions, but the southern variant may be termed as ***"jobs-centered development.*** Understanding that model requires a familiarity with the factors that produced it, its program models, its development strategies and its limitations.

A) Towards a New Approach

Viewed in one light, the 1990s represents a high-water mark for traditional economic and workforce development practices. The decade started with a brief recession and ended with a robust, broadly shared economic boom. The period also saw a rejuvenation of many large urban areas. In the South, every state posted double-digit rates of employment growth. Viewed in a different light, however, the 1990s called into question the relevance of traditional approaches.

i. Changes in Workforce Development

A desire to reappraise traditional methods first surfaced in the workforce development field. In 1994, the U.S. Department of Labor released the results of the National Job Training Partnership Act Study, a two-and-a-half year longitudinal study of JTPA applicants. The study found that JTPA produced, at best, modest increases in earnings; even then, participants earned too little to clear the poverty level.[114] While the study subsequently has been critiqued, it sparked a debate over the relevance of traditional approaches.

Workforce developers also confronted two major changes in the national policy landscape. First, the 1996 passage of the Personal Responsibility and Work Opportunity Act – "welfare reform" – replaced the legal entitlement to cash assistance with time-limited aid linked to work participation. The intention was to move several million low-skill, low-income adults into the labor market even though no one knew if the market could absorb them. Paradoxically, while this change heightened the need for education and training, the "work first" approach militated against the provision of substantive training.[115] Second, in 1998 WIA replaced JTPA as the nation's main workforce development program. WIA continued to provide the same kinds of services offered through JTPA. However, administrative changes actually hindered the ability of providers to offer education and training and created disincentives to serving individuals with significant needs.[116] In fact, fewer WIA clients receive training than did those served by JTPA.[117] The act also required states and localities to develop a new service infrastructure. In many states the process consumed considerable amounts of time and increasingly scarce federal dollars.

Finally, workforce development leaders became attuned to demographic changes in the labor market. By the 1990s, talk abounded of how the United States had developed a "new economy" in which job opportunities are bifurcated between good-paying ones in fields requiring workers with high levels of skills and poorly-paying ones that require relatively less skilled workers. Education therefore became seen as vital for promoting opportunity and reducing inequality. Furthermore, attention focused on the fact that the workforce was aging with the younger segments being drawn largely from relatively less-educated groups, such as immigrants. Unless skill levels increased, went the argument, America would lose its competitiveness. Although its assumptions are problematic, this "skill shortage" view gained popular acceptance.[118]

ii. Changes in Economic Development

The reappraisal of economic development occurred somewhat later and was driven by changes in the economic landscape. Perhaps the most important change was globalization. Thanks to advances in transportation and communications, industries became able to locate operations globally, and to tap the potential efficiencies many firms abandoned vertically integrated production models in favor of globalized production networks.[119] Much as the South once did, foreign nations began to use their relatively low costs to recruit industries. Ironically, many of the firms that once came south for low costs – think textiles – have left for the developing world.

That trend has resulted in the deindustrialization of southern communities and elimination of decent jobs available to individuals with modest levels of formal education. Many communities, especially rural ones, have not replaced those industries and have declined. This has prompted two changes in economic development practice. First, states have become more aggressive in the use of subsidies to attract blockbuster projects. Second, economic developers have become more interested in third-wave development models that aim to build upon regional assets.

The 2001 recession marked another change in the economic landscape. Although short in macroeconomic terms, the recession was followed by a weak recovery that did little for the nation's working families. Job growth was sluggish, unemployment was high, wages were flat and household income actually declined.[120] The South was not spared. In historically fast-growing North Carolina, private-sector job growth occurred at an annual rate of just 0.9 percent per year.[121] Similarly, the proportion of the working-age population with a job fell in six southern states and remained flat in the other five. The absence of growth called into question the usefulness of traditional strategies.

Economic developers also became more attuned to skill needs, particularly the needs of specific industries facing worker shortages, such as health care. In a variety of industries, skill shortages often are greatest in "middle skill" positions that require workers with some level of postsecondary education but not a four-year degree. In fact, one national study found that 45 percent of all job openings between 2004 and 2014 will require such workers.[122] To ensure adequate labor supplies, economic developers are becoming more engaged in workforce systems.

B) The Building Blocks of Jobs-Centered Development

The changes of the 1990s prompted economic and workforce developers to test new ways of growing economies and employment opportunities. Although these experiments have unfolded in a highly decentralized, highly localized manner, the successful ones share enough goals, strategies and structures to form a distinct field of practice.

Nationally, such efforts often are referred to as ***sectoral development.*** While the sectoral approach holds considerable promise, its relevance the South remains unproven **(see Section 6.B.ii)**. The model originated in large non-southern, metropolitan areas with thick labor markets and different policy traditions, and based on a review of the existing literature and interviews with regional experts, it appears that the conditions needed to sustain a pure sectoral approach exist in relatively few southern communities and even fewer non-metropolitan ones.

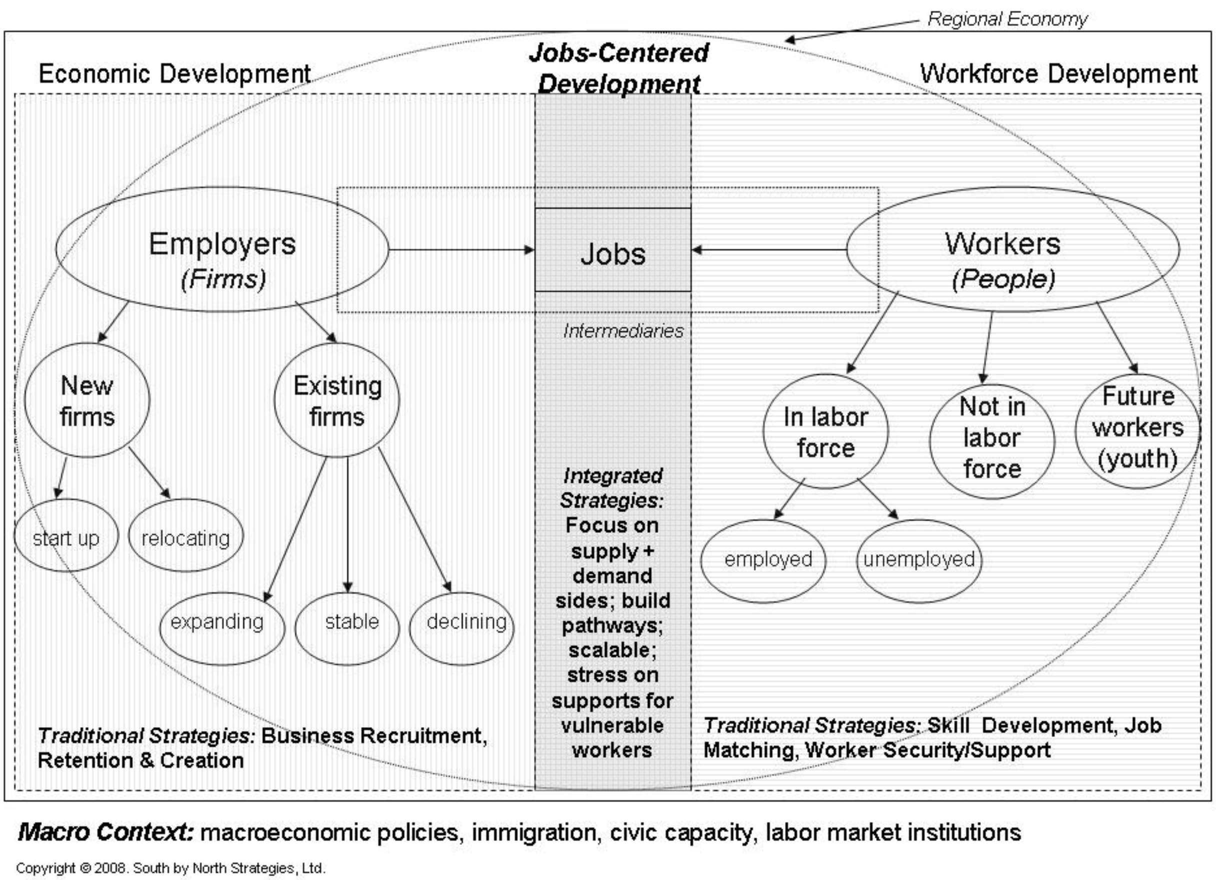
This report consequently uses the term "jobs-centered development" to denote a broader set of programs and strategies than captured in the existing national conversation of sectoral development. While the two concepts share much in common, jobs-centered development encompasses a wider range of strategies that potentially are applicable to a greater number of communities. Jobs-centered development, for instance, includes strategies aimed at fostering rural entrepreneurship **(see Section 6.C.ii.c)**. Such efforts are demand-driven in the sense that they help people take advantage of regional economic strengths but not in the sense of involving groups of established employers. A key aim of this study, then, is to prompt a discussion of how newer development approaches might benefit people and places that otherwise would be overlooked.

The purpose of jobs-centered development is to grow a regional economy and create employment opportunities for local residents. Unlike traditional approaches of economic and workforce development, jobs-centered development strives to deliver a "triple bottom line" for workers, businesses and communities. To that end, jobs-centered development aims to grow a regional economy by understanding the needs of local industries and cultivating the skilled workers needed by those industries in ways that foster quality jobs and career opportunities for low-income workers. Unlike traditional workforce development, jobs-centered development is more demand driven, meaning it pays greater attention to business needs. Unlike traditional economic development, it pays greater attention to job quality and equity. To both of these areas, it adds an emphasis on policy and institutional change.

Discussions of jobs-centered development often suffer from a lack of clarity. Perhaps most frequently, structures and strategies are confused. Workforce intermediaries, for example, often are discussed as a strategy when in reality they are vehicles for implementing a particular strategy like sectoral development. Similarly, fields of focus often are seen improperly as strategies or models in and of themselves. The "green economy," for instance, refers to a broad area of activity that may lend itself to a variety of different program models and approaches.

To minimize confusion, it is necessary to distinguish between the components and strategies of jobs-centered development. Based on a literature review and leadership interviews, successful jobs-centered development models typically contain five components: a macro context, a regional economy, workers, firms and intermediaries. **Figure 12** presents an idealized model of jobs-centered development; the subsequent sections describe each program element, summarize strengths and weaknesses and offer examples of well-regarded programs that use a particular element. Specific strategies will be discussed in **Section 6.C**.

Figure 12: Jobs-Centered Development Model



i. Macro Context

An advantage of jobs-centered development is that it fixes its gaze upon regional economies. Yet individual regions are embedded in a larger national and global context, meaning numerous economic factors exist outside of local control. Immigration policies, for example, are determined by the federal government. In the same vein, trade policy is a federal responsibility even though the consequences are borne locally. Similarly, federal policies shape the strength of labor market institutions like unionization, wage floors, social insurance and work supports. The current recession illustrates another limitation. At a time of falling output, mounting joblessness, evaporating demand and seizing credit systems, there is little that local actors can do. Only the federal government has the ability needed to break a severe downward spiral.

ii. Regional Economy and Assets

Regions are the stage of action in jobs-centered development. This is an outgrowth of the idea that "place matters" – particular locations possess distinct sets of industries, workers and assets that can be combined and leveraged. Engaging these resources in a targeted way ideally will produce common solutions that achieve efficiencies of scale and scope, along with positive network effects. After agreeing upon that, however, things become complicated, for there often are many ways in which a region could be defined and efforts could be organized.

The first challenge is to define a ***regional geography***. This is more difficult than it appears, in part because economic and political geographies areas rarely align. Consider North Carolina's Piedmont Triad. The region is anchored by the cities of Greensboro, Winston-Salem and High Point. These cities form two different metropolitan regions that encompass a total of eight counties. Those two metropolitan areas constitute a larger, ten-county area, situated within an even larger, 12-county state economic development region that encompasses nine community college service areas and six workforce investment boards.[123] Obviously, the region's definition will determine the players and resources involved in any jobs-centered development strategy.

For practical purposes, a metropolitan statistical area (MSA) is the typical geography used in jobs-centered development. The main advantage of an MSA, a geography defined by the federal government, is that it encapsulates an economically-coherent area. Yet MSA analysis is ill-suited to parts of the South since certain areas – such as eastern Kentucky and parts of the Mississippi Delta – have none. These areas do possess micropolitan areas, a recently developed geographic concept denoting smaller urbanized places. In Mississippi, for instance, there are no MSA's between Jackson and Memphis, TN, but that same stretch contains seven micropolitan areas. These micropolitan areas may provide a more relevant geography for parts of the South.

After selecting a geographical location, the next challenge is to identify an ***area of attention***. Because jobs-centered development strives to serve workers and industries, it typically makes sense to build an effort around some aspect of the local economy, such as an industry, a group of interconnected industries, an economic sector or a segment of the workforce. Currently, a key debate involves whether to build efforts around an industry cluster or an economic sector. Although the debate is in some ways a semantic one, it is important to note the differences.

As mentioned earlier, an *industry cluster* is an economic development concept. Cluster development is grounded in economic base theory, which holds "that a community's economic growth is directly related to the demand for goods, services and products from areas outside of its local economic boundaries."[124] By focusing on the common challenges and needs of specific traded industries, programmatic interventions aim to strengthen the overall competitiveness of a cluster, thereby leading to regional growth. For example, by providing technical support and workforce training to local producers, the Hosiery Technology Center at Catawba Valley Community College has helped firms around Hickory, NC, better compete with foreign rivals.[125]

Like cluster development, *sectoral development* is a regionally-based approach for working with a collection of firms with common production methods and labor requirements. Nevertheless, sectoral development differs from cluster development in four ways. First, sectoral approaches have both a narrower and broader focus. They are narrower because they typically serve one specific industry (e.g. health care) rather than a set of multiple industries linked through a supply chain (e.g. agricultural processing); they are broader because they will engage non-traded industries (e.g. child care). Second, sectoral development is a human capital strategy, not a business development one. Third, sectoral development emphasizes job quality and career advancement for low-income individuals and often involves educational and human service components. Finally, sectoral approaches aim to reform how public institutions and labor markets operate.[126]

Given the Babcock Foundation's mission, a sectoral focus likely is more relevant than a cluster one. The main advantage of the sector approach is that it clearly emphasizes job and career opportunities for individual workers and offers a comprehensive array of services, including, as needed, education and work supports. Sector approaches tend to track employment and income outcomes for participants, which allow programs to be judged on their success in serving individuals.[127] Finally, sectoral approaches have gained traction in the South, thanks in part to the recent work of the National Governors Association (NGA). With funding from the Charles Stewart Mott and Ford Foundations, the NGA has developed projects in Arkansas, North Carolina and Georgia. In fact, Arkansas' Career Pathways Initiative is one of the nation's best-known sector strategies.[128] And several other states – Louisiana, Tennessee, Mississippi and Alabama – seem to possess the building blocks of a sectoral approach.[129]

The final challenge is to ***assess regional resources***. Proponents of jobs-centered development must gauge whether or not the region has the resources – educational, business and financial – to support an initiative. Perhaps the important resource is civic capacity, defined as the "sustained ability to overcome local divisions and fragmentation to pursue an accepted social purpose."[130] Simply put, civic capacity refers to leadership, and efforts that lack the commitment of the appropriate local leaders are apt to fail, regardless of the quality of the program.

iii. Workers

Proponents of jobs-centered development frequently justify the approach as a way of responding to mismatches between the supply of and demand for skilled workers. Because jobs-centered development strategies intend to meet the current needs of local industries, most efforts focus on adult workers. These adults may be employed, unemployed, underemployed, or outside of the labor force. Moreover, some initiatives target specific subsets of population, such as low-income adults, immigrants, dislocated workers or recipients of public assistance. For instance, the Latino Pathways Project operated by MDC, Inc. in Charlotte and Greensboro, NC, aimed to prepare immigrants with literacy deficiencies for jobs in industries like health care.[131]

When discussing skills shortages, it is important to understand just where the gaps are. Media accounts and political debates typically portray the shortages as involving highly-skilled workers, meaning those with baccalaureate and post–baccalaureate degrees. In reality, estimates suggest that the greatest shortages are apt to occur for workers with more than a high school diploma and less than a four-year degree. Occupational projections indicate that 45 percent of all job openings between 2004 and 2014 will be in such "middle skill" occupations. Over that period, the demand for workers with middle skills in the health care field alone will grow by 20 to 40 percent. Such gaps are projected to occur owing to an increase in demand coupled with a decrease in supply due to workforce aging.[132]

Estimated shortages for middle-skill workers provide an opportunity for low-wage workers, many of whom have relatively low levels of formal education. In the South, the share of prime-age adult workers (ages 25-54) with no more than a high school degree ranges from 74 percent in West Virginia to 56 percent Virginia. Among minority workers, the share ranges from 79 percent in Arkansas to 65 percent Virginia.[133] Not only do many adult southerners lack a postsecondary credential, but significant numbers are deficient in basic literacy, numeracy and language abilities. While specific literacy levels are difficult to gauge at the state and local level, a recent analysis by the U.S. Department of Education found that the share of southern workers with only the most rudimentary reading abilities ranged from 12 percent in Virginia to 17 percent in Georgia.[134] Additional workers likely have only slightly more modest abilities.

While low-income workers potentially could move into middle-skill occupations, they confront a variety of obstacles. Some are related to the fact that many educational and financial aid programs are designed to serve traditional-age students, not working adults. Others flow from the simple fact that working adults need to work to support their families in the short-term and improve their skills in the long-term. To address that challenge, jobs-centered development models strive to eliminate training barriers, accelerate the time it takes to earn credentials and combine education and work. Career ladders are one method for integrating work and education. Such programs aim to work with industries to build clear advancement paths that are tied in part to the acquisition of specific skills and credentials. In health care, for example, numerous efforts have been undertaken to help certified nursing assistants become licensed practical nurses.

iv. Firms

Firms are key stakeholders in jobs-centered development, but they are perhaps the hardest ones to engage. In part this is because firms confront multiple challenges besides workforce ones and typically focus on short-term needs. Firms also often have few connections to public workforce systems. Determining how to engage employers is the most vexing question facing jobs-centered development. As one regional expert notes, "the unfinished business is business."[135]

Jobs-centered development models typically partner with existing businesses – ideally multiple businesses in a specific industry – to prepare workers for wage and salary positions. A key question is deciding at what level and to what degree to engage employers. Some practitioners argue, in the words of one national leader, that there must be "deep employer engagement in development and governance."[136] Others, however, claim that "sometimes industry involvement is overblown" and that the proper role for firms is to signal clearly their skill requirements and willingly hire qualified individuals.[137]

Based on feedback from practitioners, firms are more likely to engage in jobs-centered development when two conditions are met. First, the larger industry must be facing labor shortages and those shortages ideally will lead multiple firms to take an interest in jobs-centered development. One expert calls this "going to where the economic pain is."[138] Second, the larger industry should have clear advancement pathways marked by recognized credentials. "Where there are clear pathways, there are better options," explains a philanthropic leader from the Midwest.[139] For that reason, certain industries – particularly health care, manufacturing and construction – tend to lend themselves to jobs-centered development strategies. Health care is a particular favorite since it is a growing industry with a relatively straightforward hierarchy of jobs. Observes one southern expert: "Healthcare plays great. There are clear industry-wide credentials. Employers just need to be there to hire trained folks."[140]

Small firms and those without clear occupational standards often are more difficult with which to work. In part, smaller firms are less apt to have advancement opportunities or the revenues needed to better compensate employees who obtain additional education and training. Some projects aim to work around these problems by serving multiple employers or working with employers to craft clear advancement paths. For example, Massachusetts' Extended Care Career Ladder Initiative, a state-funded program, works with several dozen nursing homes to create advancement and training opportunities for certified nursing assistants (CNA). As part of that effort, the initiative created tiers of CNAs and provides training to help workers advance. Workers who progress from one tier to another receive modest pay increases.[141]

Another challenge associated with firms is prompting them to change labor practices and improve job quality. In Arkansas, for instance, the well-regarded Career Pathways Initiative so far has persuaded just one employer to change a single practice.[142] Some practitioners argue that job quality only will improve if an effort explicitly defines a goal and pursues it. Consider an experiment in Chicago. In 2005, the city used a portion of its federal WIA money to create two specialized workforce centers – one serving manufacturing, the other hospitality and retail. Operated by the Instituto del Progresso Latino, the ManufacturingWorks Center stressed job quality from the outset and provided preferential treatment to "high road" employers. The ServiceWorks Center, meanwhile, operated without a well-defined job-quality standard and aided any interested employer. Preliminary research suggests that the approach of the ManufacturingWorks Center has proved more successful at persuading employers to improve the quality of jobs.[143]

Additionally, firm involvement proves challenging to obtain in communities with weak labor markets and relatively few employers – a situation common in much of the non-metropolitan South. In those communities, a jobs-centered development approach might focus not on engaging a specific employer or industry but on supporting entrepreneurship and business development opportunities tied to a local economic asset **(see Section 6.C.ii.c)**.

v. Workforce Intermediaries

Workforce intermediaries play a vital role in jobs-centered development, yet their exact role frequently is misunderstood. Too often, intermediation is seen as a strategy in and of itself when in reality intermediaries are vehicles for delivering strategies like sectoral approaches. Moreover, observers often underestimate the difficulties in establishing, growing and maintaining a successful intermediary organization. Intermediaries also play an important structural role by harnessing disparate, disconnected resources in ways that serve workers and firms.

Workforce intermediaries are a specific kind of labor market intermediary. These intermediaries are "the set of informal conventions, public and private institutions, as well as public laws and regulations that link individuals and communities with market economies."[144] Put differently, intermediaries shape the ways in which labor markets operate. In the United States, public intermediaries historically have played a minor role in the labor market. Instead, intermediation has been left to private-sector actors such as staffing firms. Given recent changes in the

American labor market, public and nonprofit organizations increasingly are providing the intermediation services delivered by public agencies in other advanced nations.[145] While this trend is promising, it also has become surrounded by a degree of hype. Understanding the potential impact of intermediaries requires a dispassionate analysis of strengths and weaknesses.

Workforce intermediaries are "homegrown, local partnerships that bring together employers and workers, private and public funding streams and relevant partners to fashion and implement pathways to career advancement and family-supporting employment for low-income workers."[146] Successful intermediaries perform multiple functions: they address the needs of employers and workers; they provide an array of labor market services; they integrate information and resources; they generate ideas and they play multiple roles.[147] Put differently, intermediaries act as flexible, entrepreneurial brokers that are trusted by employers and workers due to their deep knowledge of the needs of each group and are committed to achieving meaningful outcomes and reforming the operation of regional labor markets.

An array of organizations – unions, business associations, labor-industry partnerships, community-based organizations, educational institutions, workforce boards and public agencies – may function as intermediaries. In practice, it appears that four types of organizations commonly serve as intermediaries: unions, industry partnerships, public institutions (one stop centers, community colleges and adult education centers) and nonprofit organizations.

In certain parts of the country, ***unions*** are workforce intermediaries. One of the nation's best-known sector programs is operated in Philadelphia, PA, by Local 1199C of the American Federation of State County and Municipal Employees (AFSCME). Established in 1974, AFSCME's Training and Upgrading Fund provides education, placement and support services designed to help certified nursing assistants become licensed practical nurses. The program is funded by payroll contributions from 60 unionized health care facilities.[148] Similarly, to staff the hospitality industry in Las Vegas, NV, two locals of UNITE-HERE have joined with 24 resort properties to sponsor a Culinary Training Academy.[149] Because unions are deeply knowledgeable of a specific industry, union efforts tend to be highly tailored to industry needs and due to the union premium, such efforts also produce meaningful wage gains for workers. That said, union initiatives tend to be expensive to operate, face difficulties in serving non-unionized members, and encounter obstacles when serving a local industry with unionized and non-unionized firms. In Chicago, for instance, efforts to serve the hospitality industry have struggled due to financial disagreements among employers. Unionized hotels pay into a training fund as part of their contracts while non-unionized hotels have refused to make payments in lieu of contributions. This has sparked arguments over "free riding."[150]

Industry partnerships represent a second kind of workforce intermediary. One noted example is the Wisconsin Regional Training Partnership (WRTP). A partnership of unions and unionized employers, WRTP was founded in 1992 to address worker shortages in Milwaukee's manufacturing sector. The partnership aims to serve both firms and workers, especially disadvantaged ones. Participating firms receive customized business assistance while workers receive training from local technical colleges and, if needed, access to various supportive services. Funding comes from a variety of sources, including WIA. Between 1995 and 2002, WRTP placed 1,400 people into jobs that paid, on average, $10.55 per hour. Nevertheless, such partnerships are difficult to organize, maintain and finance. They also may struggle to achieve scale due to the differing structures and cultures of participating firms and unions; this same dynamic often hinders the creation of career pathways.[151] Additionally, partnerships often encounter problems in working with local public institutions and instead of engaging those systems, often circumvent them or replicate key functions.

Public institutions of different types also may function as intermediaries. Interestingly, one stop centers funded through WIA Title I seldom provide intermediation, even though their organizational structure makes them seemingly ideal intermediaries. As one expert observed, "What I've seen is that One Stops are under severe financial constraints that have made them less likely to take on projects."[152] One noted exception was the Columbia, SC, site of the Babcock Foundation's Connecting People to Jobs Project. That project was born out of the realization that Columbia's Hispanic population was growing and that few of these new residents were accessing the public workforce system. Somewhat surprisingly, Acercamiento Hispano, the community-based organization (CBO) that anchored the Babcock Foundation's efforts in Columbia developed a strong working relationship with the nonprofit organization that operated the area's one-stop career centers. The one-stop actively engaged in the project and provided office space and administrative support to the CBO, due in large part to the center manager's commitment to the idea. Over time, the center earned a reputation as a "safe and responsive place for Latino residents seeking better employment."[153] While impressive, the Columbia model is the exception that proves the rule.

When it comes to public institutions, *two-year colleges* have become the focus of national attention and are appealing partners for jobs-centered development. They provide quality training tailored to local labor markets, serve low-income adult students and are scattered geographically. In fact, in many non-metropolitan areas, a two-year college may be the only major institutional service provider. Additionally, many colleges realize that they must improve their ability to serve low-income students and are looking to partner with organizations that understand the particular needs of low-income adults.

Despite those advantages, two-year colleges also possess institutional and cultural factors that may militate against jobs-centered development. Explains one regional expert, "It is pretty clear that it is hard for public institutions to think for the long term, see the broader picture, to escape political pressures and to evaluate themselves."[154] Similarly, while many colleges serve low-income students, they often are unfamiliar with the distinctive needs of low-income adults and lack the supportive services that such students often require. Consequently, in many initiatives, another organization, typically a nonprofit, serves as an intermediary and engages the college as an educational partner. Important secondary goals, then, are to change college practices, improve their ability to partner with employers and community groups and prepare them to one day serve as intermediaries in their own right.

Perhaps the best-known jobs-centered development project involving two-year colleges is the Arkansas Career Pathways Initiative, which started as a partnership between the Southern Good Faith Fund, a nonprofit organization, and two community colleges. The impetus for the project came when the colleges realized they were serving increasing numbers of low-income students and yet were unsure how to serve them. The Southern Good Faith Fund, meanwhile, was experienced in serving that population and had a design model it was looking to test. Even though no additional funds were available, college leaders agreed to partner with the organization. Once the collaboration proved successful, the office of the governor took an interest in the program and provided the funding to expand it to all 22 of the state's colleges. Today, the public sector runs the program.

Adult education is another public institution often involved in jobs-centered development. In some states, these services are offered through community colleges (e.g. North Carolina), in others through separate systems (e.g. Kentucky), and in others through the public schools (e.g. Louisiana). As mentioned earlier, sizable shares of adult workers in the South possess extremely low literacy, and without higher level skills, these individuals are unlikely to advance economically or academically. While every southern state provides adult literacy services, in part with funds provided through WIA Title II, these systems typically are underfunded and achieve poor outcomes. Nationally in 2005, half of all the states spent less than $26 per adult without a high school credential, with southern states clustering toward the low end of the range. Tennessee, for instance, invested just $7.41 per adult without a high school credential.[155] Similarly, few students ever advance, and very few transition into a postsecondary program. During program year 2004-05, just 40 percent of all adults enrolled in basic and secondary education programs completed one level of instruction.[156]

Adult literacy instruction increasingly is becoming a focus of policy, programmatic and philanthropic attention. A recent example of policy change has occurred in Kentucky. Earlier this decade, the legislature set a goal of increasing the share of GED completers enrolling in postsecondary programs from 12 percent in fiscal year 1998-99 to 22 percent by fiscal year 2005-06. Thanks to an infusion of state resources and programmatic reforms, the state currently has a transition rate of 21 percent.[157] In terms of programmatic changes, a number of national initiatives, such as the philanthropically-supported Breaking Through program, are working with adult literacy systems to improve their ability to serve adults and connect them into postsecondary programs. Similarly, other philanthropic and public efforts are promoting the adoption of various kinds of integrated, concurrent, and bridge programs.

Nonprofit organizations are a fourth kind of organization capable of performing intermediation functions. Nonprofit intermediaries tend to come in one of three forms: grassroots community-based organizations, technical organizations and hybrid models.

At first glance, *grassroots community organizations* appear ideally suited to function as workforce intermediaries, given their close ties to local communities. Yet such organizations traditionally have not been involved in employment or workforce issues. Learning how to tap the potential of such organizations was a key question motivating the Babcock Foundation's Connecting People to Jobs project. In all three program sites – Columbia, SC, Charlottesville, VA and Charleston, WV – community organizations served as intermediaries, but in all three sites, the organizations struggled to meet their responsibilities. In part, this was because the organizations were asked to take on unaccustomed responsibilities, and in part, it was because some lacked either the capacity to take on a complex intermediation role or the credibility needed to connect with other key stakeholders like community colleges and employers. As one regional expert says, "I think there is a temptation to assign too much responsibility to nonprofit organizations … we should let them do what they do best."[158]

Technical organizations or higher-order nonprofits play a different kind of role. These organizations include such noted groups as the Southern Good Faith Fund in Little Rock, AR, the Chicago Jobs Council in Chicago, IL, MDC, Inc., in Chapel Hill, NC, the Seattle Jobs Initiative in Seattle, WA, and the West Central Initiative in Fergus Falls, MN. Groups like these have a deep knowledge of workforce systems, connections to funding sources and staffing, and organizational structures that allow them to provide a more advanced level of expertise. Instead of providing services directly, technical organizations often provide staffing and support for larger initiatives that involve other groups. For instance, MDC did not operate directly the Latino Pathways Project; instead, it provided context and support to other organizations, including community colleges and grassroots agencies. The Southern Good Faith Fund pursued the same approach when crafting the Career Pathways Initiative. In the same vein, the Seattle Jobs Initiative originally was conceived as an organization that would not provide direct services and instead would build relationships and help tie community organizations to the larger workforce system.[159]

Hybrid approaches blend the strengths of community and technical organizations. Perhaps the best known example is Project QUEST in San Antonio, TX. Founded in 1990 following the announcement of the closing of a major Levi Strauss plant, Project QUEST brought together two organizations connected to the Industrial Areas Foundation interested in crafting a grassroots understanding. The organization's deep connections to local communities and the city's business leadership permitted the development of a intensive, long-term, community-college based training model tied to local employment opportunities with career potential, primarily in the health care industry.[160] Between 2001 and 2004, Project QUEST placed 1,400 people into jobs paying an average of $10 per hour.[161] Another such well-known program is the Center for Employment and Training in San Jose, CA. Although the initial site achieved impressive outcomes, replicated efforts in 12 communities across the country failed to thrive.[162]

Viewed in the aggregate, workforce intermediaries are vital to any successful jobs-centered development efforts. At the same time, intermediaries are not silver bullets for regional change. As with small businesses, many intermediaries fail, either organizationally or in their ability to deliver desired outcomes. Those failures, in turn, may result from an intermediary's inability to overcome any or all of the following six obstacles:

- Intermediaries often ***struggle to secure funding*** as few public or philanthropic sources underwrite intermediation.
- Intermediaries often ***struggle with capacity issues***. This is especially true for public institutions with cultures and structures that discourage innovation and community-based organizations with resource limitations or few connections to the business community.
- Intermediaries often ***struggle to achieve scale.*** They may provide good services and help some people and businesses but the collective impact is too small to alter a regional economy.
- Intermediaries often ***struggle to balance*** organizational needs with their roles as honest brokers. To succeed, intermediaries need to be trusted and seen as impartial, yet

intermediaries also have their own organizational needs that may conflict with those of other stakeholders.

- ♦ Intermediaries often ***struggle to serve smaller geographies.*** Intermediation originated in urban environments with thick labor markets, deep networks of potential intermediaries and a tradition of supporting workforce efforts. Relatively few serve small metropolitan and rural areas like those found in much of the South.
- ♦ Intermediaries often ***struggle to cultivate the leadership*** needed to thrive organizationally and sustain an initiative.

C) Strategies for Jobs-Centered Development

The jobs-centered development model described in **Section 4.B** may be used to deliver a variety of strategies, each of which can be customized to local conditions. In a farming region, for instance, the model's components could be organized to support an entrepreneurship strategy centered on sustainable agriculture. At the same time, the sheer number of potential variations may cloud understanding of jobs-centered development strategies. For simplicity's sake, strategies may be grouped into four broad categories based on their primary emphasis: traded industry strategies; non-traded industry strategies; human capital strategies and system reform strategies. The following sections use examples to describe each category with special attention afforded to each strategy's goals, stakeholders, geographic impact, strengths and weaknesses.

i. Traded Industry Strategies[*]

One set of strategies concentrate on traded industries in which an area has a relative advantage. This emphasis is rooted in the standard economic development view that a community's ability to export goods and services outside of the region drives growth. Efforts in this area typically center on traditional production and manufacturing industries and "new" ones like biotechnology and segments of the "green economy."

Contrary to popular perception and despite having been hamstrung by federal policies, manufacturing remains a vital part of the American economy. Although manufacturing employment has contracted, the sector still accounts for nearly a quarter of the nation's economic output and some two-thirds of its foreign exports. It also is a field marked by high productivity and relatively high compensation.[163] Nevertheless, globalization has altered the manufacturing landscape and prevents American firms from competing solely on the basis of costs; instead, they must stress innovation and efficiency – a stress that make manufacturers appealing targets for jobs-centered development for several reasons.

First, thanks to the high value of the goods it produces and its high levels of union density, manufacturing remains a major source of quality jobs for workers possessing less than a baccalaureate degree. Second, a robust demand for skilled workers exists due to the aging of the workforce. Third, the nature of modern manufacturing means that firms require assistance in identifying both skilled workers and more efficient production methods.[164] Fourth, modern manufacturing often is regional in scope. While research and development activities may occur in a metropolitan hub, production facilities often are sited in non-metropolitan places within the

[*] A "traded" industry is one that provides goods and services primarily to customers located outside of a particular community or location. It may be thought of as an "export" industry. Examples include agriculture, forestry, mining and manufacturing. Some industries may be traded or "non-traded" depending on their principal customer base.

hub's larger orbit. Finally, because manufacturing long has been the emphasis of economic development and customized training programs across the South, key stakeholders understand the field and have the credibility needed to serve as effective intermediaries.

Nevertheless, for a jobs-centered development geared towards manufacturing to work, it must be a true jobs-centered approach: it must serve workers and firms while minding job quality and institutional reform. Too often, attention is devoted exclusively to firms and the provision of firm-level subsidies. Another problem is to emphasize the wrong workers. Public efforts typically stress technological research and highly educated workers, even though the most serious workforce shortages in many firms involve workers with middle skills. Lastly, jobs-public efforts frequently are agnostic about differences in job quality; in practice, "high-road" employers that compete on innovation should be privileged over "low-road" ones that compete on wage costs. And because most firms fall between the extremes, efforts should aim to influence employer behavior.

a. ManufacturingWorks Center (Chicago, IL)

One interesting application of jobs-centered development to manufacturing is the City of Chicago's ManufacturingWorks Center. As mentioned previously, the city opted in 2005 to use a portion of its federal WIA funds to establish two sector centers – one for manufacturing, another for hospitality – that would complement the city's existing workforce system. The intention was to create intermediary organizations capable of meeting the workforce needs of targeted industries while also reforming firm practices and public systems. While the public sector financed each center, non-governmental organizations were selected to run each one. To provide services, these organizations entered into partnerships with education and training providers.[165]

The city chose to work with manufacturing because the sector remains a significant part of the regional economy. While it no longer possesses many large, unionized production facilities, Chicago is home to numerous small- and mid-sized firms that operate at the lower levels of supply chains, for which the city has operated a network of community-based industrial retention agencies since the early 1980s. These smaller firms often require assistance with both recruiting and training workers and improving production processes. Additionally, the city's manufacturing companies are clustered near the communities home to local Hispanic populations, a population from which about one-quarter of Chicago's manufacturing workforce is drawn.[166]

Actual operation of the center was entrusted to the Instituto del Progresso Latino, a community organization experienced in running training programs and one with longstanding ties to local manufacturers and the public workforce system. Instituto assembled a consortium of education, training, industrial retention, labor, industry and technical assistance organizations. Moreover, the consortium decided at the outset to develop a framework for understanding job quality and to provide preferential treatment to "high road" employers.[167]

In terms of services, the ManufacturingWorks Center emphasized the needs of firms and looked to provide firms with an array of such value-added services as staffing and skill analyses, workforce recruitment, and training and process improvement instruction. Workers, meanwhile, can participate in training opportunities through the center's network and gain access to employment opportunities in the manufacturing field. During the most recent program year, the center served 128 companies and placed 456 individuals (91 percent of whom were racial or ethnic minorities) into jobs that paid an average starting wage of $12.49 per hour.[168]

A recent evaluation of the ManufacturingWorks Center found that it is valued by employers and has brought new firms into the public workforce system. Additionally, the center has created a venue where job quality can be addressed and has strengthened the larger workforce system. And, of course, individuals have acquired skills and jobs. Yet the center's experiences also illustrate the difficulties encountered in balancing business and social goals. The imperative to serve firms and the recognition that a refusal to tolerate poor performance caused many employers to abandon the public workforce system led the center to present only the best candidates instead of potentially qualified candidates. This has posed a barrier to extending opportunities to more disadvantaged populations, such as ex-offenders – a barrier the center is trying to overcome. Another challenge has been the struggle to operationalize a view of job quality. In reality, most firms are neither "high road" nor "low road" employers but a mix of both. Finally, the center faces the typical problems found in any effort built upon inter-agency collaboration and public financing.[169]

b. Life Science Manufacturing Initiative (North Carolina)

Biotechnology is perhaps the emblematic example of the "new economy." The very word summons images of white-jacketed scientists endeavoring to unlock the secrets of life. At the most basic level, biotechnology "involves the manipulation of cellular and genetic structures for applications in medicine, animal health, agriculture, marine life management and environmental management."[170] Biotechnology is part of a larger life sciences industry, which contains firms that specialize in biotechnology, pharmaceuticals, medical devices and contract research.

Although research plays an integral role in the life science industry, most of the employment opportunities actually are in manufacturing-related positions. The processes and techniques may differ, but the life science industry essentially is a manufacturing one. A study in North Carolina found that 60 percent of the jobs at the typical life science manufacturing firm were open to people with some level of education beyond high school.[171]

Given its sizable manufacturing base, the life science industry is an appealing target for jobs-centered development for the same reasons as traditional manufacturing. Moreover, while the life science field is young, its manufacturing base plays to the longstanding strengths of state economic and workforce development efforts. Many states therefore are pursing the industry. At the same time, the industry is small and highly concentrated: just three states – Massachusetts, California and North Carolina – contain the bulk of the country's biotech firms.[172]

While North Carolina is a national leader in the life sciences, the industry there developed differently than in Massachusetts or California. In those places, the industry originated in local research universities and grew more organically. North Carolina, in contrast, has become a leader "by dint of aggressive state and local economic-development strategies."[173] Because North Carolina lacks the research power found in its competitor states, it chose to concentrate its efforts on the production side of the life science industry, and as a result, workforce strategies have played a key role in the state's efforts.

North Carolina's life science manufacturing initiative began in 1995, when the firm Novozymes and Vance-Granville Community College created a customized training program to prepare entry-level workers. Inspired by the success of the pilot program, the North Carolina Biotechnology Center worked with industry and educational partners to create the BioWork certificate, a credential awarded upon completion of a modularized, 128-hour training course. To make the training broadly accessible, employers agreed to relax formal educational requirements, thereby making the training accessible to adults with a high school diploma or equivalent. And to ensure that working adults could participate, the program was structured as a part-time one.

The BioWork project launched in 2001, and now is offered at 12 community colleges located predominately in the greater Raleigh-Durham area. As of 2006, some 900 students were enrolled in the program. Half were older than age 38, nearly two-thirds were women and over half were African Americans. Approximately one third were unemployed during training.[174] While outcomes are not tracked formally, available data indicate that students secure quality jobs and that employers are satisfied with the quality of the students.

The success of the BioWork project persuaded the state to expand is efforts in education related to life science manufacturing. The BioWork certificate qualifies people for entry-level jobs, but additional training often is needed to advance. Many community colleges consequently have developed additional educational offerings. This push has benefited from a $60 million investment in education and training from the Golden LEAF Foundation. This investment and past successes have helped to leverage additional public, private and philanthropic dollars.[175]

North Carolina's efforts in the realm of life science manufacturing have delivered benefits. Individuals, especially those with modest levels of formal education, have received the assistance needed to secure quality jobs. Employers have benefited from access to a supply of skilled, dependable workers. Moreover, the state's efforts have expanded the training capacity of the community colleges and have helped to integrate economic and workforce development efforts. And programs like BioWork have served to anchor the life science industry in the state.[176]

At the same time, the life science manufacturing initiative faces challenges. First, the industry remains fairly small. As of 2005, North Carolina had just 185 establishments, a sizable number of which probably will fail within several years.[177] Second, the industry is concentrated geographically and does not exist in most places. Third, North Carolina's efforts are relatively new and their long-term employment impacts are uncertain. Fourth, while the industry requires workers to engage in a great deal of continuing education, it is unclear whether that training will lead to pay raises or career advancement. Finally, these efforts are expensive and likely would not succeed without the financial support of partners like the Golden LEAF Foundation.

c. The Green Economy (Nationwide)

Over the past year, the term "green economy" has burst onto the national consciousness. A heightened awareness of the harmful impacts of climate change, mounting concern over the nation's dependence upon foreign energy supplies and alarm over the health of the labor market have fostered an interest in the economic potential of clean energy. Despite all of the recent attention from practitioners, pundits and politicians, the "green economy" is an aspirational idea rather than a well-defined program of action. That is likely to change in coming years as local efforts take root and federal policies intended to foster the green economy take root. While the green economy's vague nature is frustrating, its youth provides leaders with an opportunity to avoid repeating the past mistakes of economic and workforce development.

The green economy is based upon the idea that it possible to address simultaneously two vexing national problems: environmental degradation and an underperforming labor market. According to proponents, the process of addressing environmental concerns will create quality employment opportunities for a broad swath of the workforce. Put differently, a "green job" may be understood as "a family supporting, career-track job that directly contributes to preserving or enhancing environmental quality."[178]

While the general concept of green jobs has gained acceptance, confusion sets in once people start discussing the details. The first problem is deciding just what a green industry is. The standard industrial classification scheme used in the United States contains no specific category and therefore no industry-specific data are compiled. Individual analysts consequently must develop their own definitions. Most include renewable energy production (e.g. wind and solar power), construction (e.g. construction, weatherization) and biofuels production in their classification systems, but others include fields like waste management, transportation, automobile manufacturing and mass transit. Interestingly, with the exception of biofuels, agricultural activities rarely are mentioned. Also, analyses seldom differentiate between traded (e.g. manufacturing) and non-traded ones (e.g. construction).

To a large degree, green industries are not new ones; rather, they are existing industries that produce different kinds of products or services or use new techniques. In the same vein, green jobs are "not necessarily new jobs, but often traditional occupations in industries reinventing themselves for the new energy economy."[179] Most analyses of green jobs find that many of them are middle skill occupations like carpenters, HVAC technicians, machinists and welders.[180] As environmental leader Van Jones has quipped, "The main piece of technology in the green economy is a caulk gun."[181]

An assumption often made about green jobs is that they are quality jobs immune to outsourcing. Nothing guarantees that. Low wages are not uncommon in green-collar occupations; similarly, parts of the green economy already are being sent overseas.[182] For these reasons, issues of job quality must be built specifically into efforts to grow the green economy from the outset.

So far, state efforts to grow the green economy have focused primarily on the traded segments, especially the manufacture of wind and solar energy systems and their component parts. A recent study of the renewable energy sector in North Carolina, for instance, found that over 70 percent of the jobs were in manufacturing firms, typically those supplying components to other producers.[183] The manufacturing-side of the green economy not only plays to the traditional strengths of economic and workforce development, but also makes a tempting candidate for jobs-centered development. However, most efforts to date, at least in the South, have focused primarily on providing subsidies to firms and have paid relatively little attention to workforce issues or job quality. Consider: the state of Arkansas recently awarded $34.8 million in state incentives along with preferential tax treatments to bring a manufacturer of wind blades to Little Rock. The city also issued $150 million in industrial revenue bonds on the firm's behalf. The deal carried no job-quality standards, though the wages were respectable. In early 2009, the firm announced significant layoffs.[184]

In the near term, it appears that significant opportunities may exist for states to develop the non-traded aspects of the green economy, most notably construction. The recently enacted federal recovery package will provide states with significant infusions of funds earmarked for infrastructure and weatherization programs. Additionally, state and local governments own numerous facilities, many of which are in need of repair, and as a consumer, states have the ability to help "make the market" for green construction. States also could use their contracting powers to set labor and job-quality standards while also using federal and state funds to strengthen workforce systems. In short, states possess the building blocks of jobs-centered development strategies in construction. The question is whether or not they will develop them.

As mentioned previously, analyses of jobs-centered development typically pay little attention to agricultural industries. Yet in parts of the rural south, efforts like sustainable farming and value-added agriculture could be part of the green economy; those industries could be either non-traded or traded ones, depending upon available resources. For example, the Jubilee Project in Sneedville, TN, supports small entrepreneurs and businesses engaged in value-added food processing and sustainable agriculture. To help create local markets for those products, the project has worked to change school procurement policies to eliminate the barriers that had prevented cafeterias from buying from small- and mid-sized farmers. Similarly, the project aims to help businesses access larger markets like those in the Tri-Cities, but this is not easy due to significant cost, transportation and logistical factors. Nevertheless, local leaders believe that potential exists for agricultural enterprises in the non-metropolitan South.[185]

The relative youth of the green economy means that it is a promising but relatively untested venue for jobs-centered development. The key challenge in the South will be to ensure that efforts to grow green industries embody the key principles of jobs-centered development – an emphasis on firms and workers coupled with a desire to reform policies and practices – rather than focusing exclusively on the provision of subsidies to favored firms.

d. Creative Economies (Non-Metropolitan Areas)

Like the green economy, the idea of the "creative economy" recently has burst onto the national stage. And like the green economy, the concept remains a vague, aspirational one rather than a well-defined field of inquiry and practice. Much of the interest is attributable to the work of Richard Florida, a professor at the University of Toronto, who argues that regional economic growth hinges upon a place's ability to attract creative individuals. Florida's "creative class" consists of two groups: individuals in "science and engineering, architecture and design education, arts, music and entertainment, whose economic function is to create new ideas, new technology, and or/new creative content" and a supporting group of "creative professionals in business and finance, law, health care and related fields."[186] Florida further argues that such creative individuals tend to cluster in metropolitan areas, which, he argues, are inherently more open and tolerant places that non-metropolitan areas. While Florida's work has been criticized fiercely, it has sparked a discussion about the intersection of creativity, class, place, growth and inequality.

In the South, Florida's work has inspired many local leaders to take a closer look at the potential economic impact of creative enterprises. These efforts have focused less on Florida's "creative class" and more broadly on "the enterprises and people involved in producing and distributing goods and services in which the aesthetic, intellectual and emotional engagement of the consumers gives the product value in the marketplace."[187] Additionally, given the rich cultural traditions found in southern regions like Appalachia, regional leaders have wondered if the creative economy might be a source of growth in distressed places.

As with the green economy, the creative economy lacks a concrete definition and is not measured in standard industrial and occupational classification schemes. The first challenge, then, is defining what it is. A 2007 study sponsored by the North Carolina Arts Council defined the creative economy as consisting of 76 industries that create artistic property or produce, disseminate, supply or support art- and design-based goods and services.[188] The study further divided those industries into three groups: the arts, entertainment/new media and design.[189] Defined that way, 159,000 Tar Heels worked in the creative economy, Most are self-employed or employed in microenterprises, and altogether, these individuals had incomes totaling $3.9 billion.[190] A similar study in Arkansas found that the creative economy there employed some 35,000 Arkansans and generated $927 million in personal income.[191]

Much of the discussion on the creative economy in the South has focused on its relevance to rural regions. In part, this interest is reflective of the success of HandMade in America, a nonprofit organization in western North Carolina that has helped catalyze the economic potential of the region's tradition of excellence in handicrafts. North Carolina's Appalachian counties have a high concentration of individuals skilled in these crafts and the concentration of those individuals had created a seemingly invisible industry with a significant impact. As one expert notes, "HandMade didn't create the industry but shined a light on it, encouraged it and promoted it."[192] To that end, the agency has relied upon business development and entrepreneurship strategies **(see Section 6.C.ii.c)** .

As with the green economy, the relative youth of the creative economy means that it is a promising but relatively untested venue for jobs-centered development. The key challenge in the South will be to ensure that efforts to grow creative industries embody the key principles of jobs-centered development.

ii. Non-Traded Industry Strategies[*]

As mentioned previously, economic development traditionally has focused on traded industries to the exclusion of non-traded ones, such as retail and human services. The assumption is "that nonexport or service-providing businesses will develop automatically to supply export firms or the population that works in them."[193] Yet in many communities, particularly rural ones, non-traded industries like child care and health care are sources of jobs; potential also exists in other non-traded fields like green construction **(see Section 6.C.i.b)** and the "creative economy." The fact that state efforts have ignored non-traded industries has created opportunities for non-

[*] A "non-traded" industry is one that provides goods or services primarily to local customers. Examples of non-traded industries include retail trade, construction and many services. Some industries may be traded or "non-traded" depending on their principal customer base.

governmental organizations to support jobs-centered development in those areas. Key strategies have included career pathways, small business development, and entrepreneurship.

a. Health Care (Nationwide)

Health care is a popular focus for jobs-centered development. Not only is the industry growing, but it also confronts shortages of "middle-skill" workers in technical and support fields. That need has led employers to participate in jobs-centered development efforts. The industry also lends itself to such efforts due to its clear system of credentials, its organized occupational structure and its ability to provide pay increases to workers who advance along a career ladder. And relevant training programs already exist at many two-year colleges. Moreover, public financing of health care gives the government some leverage over the industry while the quality of available care is a significant concern to a broad swath of the population.

Yet health care is not a monolithic field and job opportunities vary depending on which part of the industry is involved. Long-term care facilities and home health care firms rely heavily upon less-skilled workers like home care aides, home health aides and certified nursing assistants. Although these are health care jobs, they are characterized by low pay, few benefits, difficult working conditions and high turnover. Also, many care agencies and long-term care homes are relatively flat organizations with little room for advancement. Hospitals, in contrast, employ a greater range of people at differing levels of skill and pay. This partly is the result of the decision of hospitals to break jobs that once were performed by registered nurses into smaller, component parts that can be performed by relatively less-skilled workers.[194]

In recent years, jobs-centered development efforts focused on health care have developed around the country. Several of the efforts were described previously: the Extended Care Career Ladder in Massachusetts **(Section 6.A.iv)**; the AFSCME Training and Upgrading Fund in Philadelphia, PA, and the Arkansas Career Pathways Initiative **(Section 6.A.v)**. Another noted example is Cooperative Home Care Associates in the Bronx, NY. That program provides a training program comprised of four weeks of classroom instruction and 90 days of on-the-job training to low-income individuals who wish to become home health aides. Every program completer is hired by the cooperative itself, most on a full-time basis. Relative to the industry, the cooperative's full-time employees receive better pay and benefits, as well as dividend payments. Program graduates nevertheless still are paid modestly and have limited advancement possibilities.[195]

Most jobs-centered development programs targeting health care involve career pathways. Some, like Cooperative Home Care Associates, aim to work within the context of existing jobs and industry practices while others, like the Extended Care Career Ladder, attempt to implement partial career ladders. Others, such as the Training Upgrading Fund, are more comprehensive in scope. One national assessment found that efforts succeed when they involve clear pathways, strong workforce intermediaries and partnerships, dedicated leadership, integrated educational components, supportive public policies, supportive workplaces, and diversified, consistent funding.[196] Despite achieving some meaningful individual successes, the evaluation concluded that "investment in the training of health care workers remains grossly inadequate and state and federal health care funding is still not enough to create anything approaching self-sufficiency wages."[197] Additionally, most states do not finance two-year colleges at the levels needed to support high-cost training programs in health fields.

Another strategy, at least in parts of the South, is to use business development techniques to sustain and anchor the health care industry in rural places, where the availability of quality health care is a serious social and economic concern. As one leader from the Mississippi Delta observes, "If you don't have good health care, that is a death knell for the community."[198] Yet rural health hospitals and clinics – many of which primarily serve publicly-insured and uninsured clients – struggle to obtain private financing. In response, some community development financial institutions (CDFI) have developed health care programs. The Enterprise Corporation of the Delta, a Mississippi-based CDFI, for instance, launched a Rural Healthcare Loan fund targeted at rural hospitals and community clinics. The fund's goal is not just to make responsible loans, but also to create local jobs while improving the availability of medical care. Furthermore, the fund's success has triggered policy changes. The fund's accomplishments led the U.S. Department of Agriculture to redirect federal dollars to rural health care and created a constituency advocating for changes to public insurance programs.[199] Yet as with many efforts, the scale of the project likely is modest relative to the need.

b. Child Care (Nationwide)

Child care is another non-traded industry that seems suited for jobs-centered development. At first glance, it resembles the health care industry in that it requires "middle-skill" workers, involves credentialing, has an occupational ladder, involves public financing and matters to a broad swath of the population. In practice, though, few child-care efforts have proved successful.

The failure is linked in part to the nature of the industry. Although early education can provide significant educational and social benefits, child care in the United States frequently is viewed as a form of babysitting, not education, and the "kind of custodial care that untrained, low-wage workers can offer is widely assumed to be all that preschoolers require."[200] Additionally, quality care is expensive and frequently is beyond the financial reach of low-income families; meanwhile, public subsidies typically are funded at levels below market prices. And while the industry has some credentials, they are not uniformly required or recognized. Some child care centers value credentials, but many do not, nor do many family-care providers. And few employers award raises to workers who obtain additional certifications. Altogether, these factors have produced an industry marked by low wages.

Many states have tried to set standards for child care providers and encourage workers to acquire those skills via career ladder programs, but success has been limited. West Virginia, for instance, established an Apprenticeship for Child Development Specialists in 1989. Although the program is tied to standards, linked to educational advancement and reflective of employer needs, program completers typically receive no significant increase in pay.[201] A more ambitious program is Seattle Worthy Wages in Washington State. That program, which was the result of an effort involving community organizations, employers and a union representing workers at 12 child care centers, persuaded the state to create a career ladder program modeled on the one used by the U.S. Department of Defense. The program established a series of occupation certifications that, if earned, would translate into meaningful pay raises. A recent evaluation found that the program has delivered meaningful results for workers and employers, but the initiative remains too small to have had a transformative impact on Seattle's child care industry.[202]

Business development and entrepreneurship strategies also have been used in the context of child care. The business development organization alt.Consulting, for instance, supports the creation of child care businesses in communities across the Mississippi Delta. Child care is supported not because it is a source of quality jobs, but because "it is an accessible industry for single moms who need to raise their kids and generate an income."[203] And in many rural communities, it is one of the few economic opportunities available to women, especially women of color, with modest levels of formal education. That said, it is difficult for these businesses to thrive financially since many of them draw their clients from families receiving public subsides. Observes one expert, "It is hard to structure a program that depends on state subsidies and pays livable wages."[204] So while the initiative helps grow businesses, it does not ensure that the business owner, let alone any employees, will receive quality pay and benefits.

c. Entrepreneurship (Non-Metropolitan Areas)

Efforts to grow the child care industry in non-metropolitan communities typically involve entrepreneurship strategies – strategies designed to help individuals establish, sustain and expand a business venture. Yet the strategy of entrepreneurship hardly is limited to the child care field or non-traded industries; rather, it is applicable to numerous fields, including the green and creative economies. While popular, entrepreneurship is not a magic bullet for regional change, especially in non-metropolitan communities, for it possesses both significant possibilities and limitations.

American culture long has glorified entrepreneurs as risk takers whose ideas and efforts give rise to breakthrough ideas that become the foundation of major, wealth-producing enterprises. The mythos surrounding entrepreneurs also is immune to business cycles. Economic expansions, such as the one associated with the tech boom of the late 1990s, often are depicted as resulting from the efforts of innovators while downturns are portrayed as opportunities for risk-takers to create the goods and services that will drive the next expansion.

Strip away the hype, however, and a more mundane reality emerges. Launching, sustaining and expanding a venture are difficult undertakings even under ideal circumstances, which may explain why so few people attempt to launch their own business. Research undertaken by the Ewing Marion Kaufmann foundation found that, on average, 0.3 percent of American adults who did not already own a business launched one in each month of 2007 – a ratio that has held steady for 12 years.[205] Moreover, most new businesses fail. Studies suggest that 56 percent of new businesses with employees close within four years of establishment, while 69 percent shutter within seven years.[206] And even many survivors struggle to break even, let alone become fabulously profitable.

This is not to say that entrepreneurship is unimportant; rather, it must be judged dispassionately. Too often, entrepreneurship is portrayed as an ideal, never-failing engine of job growth. Data from the U.S. Small Business Administration indicate that businesses with fewer than 20 employees accounted for 84 percent of the net new jobs added in the country between 1995 and 2005. Yet while small businesses indeed create jobs, they also eliminate many jobs. Small businesses may have added 50.8 million positions between 1995 and 2005, but they also shed 37.3 million positions.[207] This churning must not be overlooked.

Two other factors about entrepreneurship merit consideration. First, most entrepreneurial businesses have no employees. In fact, three-fourths of all businesses in the United States have no paid employees.[208] While such enterprises may provide livelihoods to their owners and economic activity in their communities, they are not sources of jobs, though the more successful ones potentially could be. Second, small firms with employees often offer lower quality jobs than found in large firms. Small firms generally pay lower wages and are less apt to offer workplace benefits. In March 2008, for instance, just 41 percent of private-sector workers in firms with fewer than 50 employees had access to company-sponsored retirement benefits compared to 79 of the individuals employed in firms with 100 or more employees. Similarly, only 56 percent of workers in small firms had access to company-sponsored health insurance benefits; in contrast 84 percent of workers in large firms could tap such benefits.[209]

In the South, entrepreneurship frequently is discussed as a promising strategy for rural communities, yet it is not a cure-all for the failure of traditional development efforts. Rather, it often is the only viable option for rural residents due to the limited economic prospects in rural communities. One Appalachian leader observes, "Self-employment is part of an economic patchwork for people who need or want to stay in a specific place. If I were advising someone whether or not to become self-employed or take a good job with benefits, I know what I would advise."[210]

Even in the best of circumstances, starting a business is a complicated undertaking that requires access to capital, an enabling business environment, local networks, appropriate infrastructure (including access to broadband) and supportive government policy.[211] In rural communities, some or all of these factors often are missing, especially in relation to the kinds of microenterprises that typify rural entrepreneurship. One issue raised repeatedly in the leadership interviews was the difficulty in securing small business loans in the range of $5,000 to $25,000. Additionally, leaders across the nation recognize that good technical support is necessary to help entrepreneurship flourish. One expert notes, "Good quality technical assistance produces change."[212] At the same time, according to other southern leaders, it is expensive and difficult to provide that assistance, particularly in non-metropolitan areas. Also, many existing resources, such as the Small Business Development Centers affiliated with the U.S. Small Business Administration generally are not geared to serve start-up or very small businesses. Many rural enterprises consequently fall through the cracks.

Building a supportive environment for entrepreneurship motivated the creation of Entrepreneurial Initiative sponsored by the Appalachian Regional Commission (ARC) between 1997 and 2005. Over that period, ARC invested $43 million in funds "to demonstrate the viability of entrepreneurship strategy."[213] An evaluation of entrepreneurship in the region over the lifespan of the initiative found that entrepreneurial activity, measured in terms of business creation and job growth, increased markedly, but over the same period, business proprietors in 42 percent of the Appalachian counties saw their incomes fall.[214] This illustrates another limitation of rural entrepreneurship: places with limited economic resources are apt to have limited local demand and will struggle to support local businesses. This leads to a problem raised in several of the leadership interviews; namely, that "quality jobs are harder to find at the microenterprise level."[215] Until firms are profitable, it is unlikely that proprietors will be able to provide themselves with good wages and benefits, let alone offer them to any employees.

Not only is it difficult to create entrepreneurial ventures in rural communities, but these businesses often are very sensitive to the larger economic climate. Any downturn, to say nothing of severe recessions like the current one, exacts a heavy toll from entrepreneurial firms. Starting last fall, many organizations that work with rural entrepreneurs saw their clients' sales collapse and credit lines disappear. Says one expert, "There are people whose incomes have dropped by half in the last quarter."[216] Adds another, "In today's environment, we are just trying to keep jobs from disappearing. There is no where else for folks to go in many communities." [217]

None of this should imply that entrepreneurship is not a viable strategy that may work well in relation to fields in which rural communities have advantages or resources, such as the creative economy. Organizations like HandMade in America have proven the impact of entrepreneurship when it is provided through jobs-centered development models. Similarly, the Central Appalachian Network, a multi-state association of eight nonprofit organizations, is using many of the elements of job-centered development to help create local businesses grounded in a distinctive understanding of sustainable growth. Nevertheless, such efforts should be viewed realistically, not idealistically, if they are to prove successful.

iii. Human Capital Strategies

A third set of job-centered development strategies focus primarily on improving the skills of individual workers. These efforts typically involve the key components of jobs-centered development, though business plays a much less visible role. Rather than being an active partner in the initiative, the role of industry is to specify its skill needs and then be willing to interview and hire qualified workers. Compared to other strategies, educational institutions, primarily two-year colleges, play a more prominent role in human capital approaches. Put differently, these strategies are more educational in nature and aim to improve not just individual skills, but also the ability of institutions to serve those individuals.

a. Integrated Basic Education and Skills Training (Washington State)

One innovative human capital strategy is Washington State's Integrated Basic Education and Skills Training (IBEST) project. IBEST targets adult literacy and ESL students and aims to break down the barriers separating literacy instruction and vocational training within many two-year colleges. More specifically, IBEST pairs adult literacy instruction and vocational training in such high-demand, high-wage fields (defined as $14 per hour in Seattle, $12 per hour elsewhere) as building trades, health care, and automotive technology.[218] The program, which operates at 23 of the state's 34 community colleges, pairs adult literacy and vocational instructors in each classroom, invests in support services, and provides participating colleges with the additional funding and incentives needed to nurture programs.[219] Successful students not only improve their literacy skills but also earn occupational credentials.

Initial research suggests that IBEST produces strong outcomes. Compared to other literacy students in Washington, IBEST participants are more likely to take college credits, complete a greater number of college credits and finish an occupational training program. On average, IBEST students earn five times as many college credits as traditional literacy students and are 15 times more likely to complete an occupational training program.[220] Yet these outcomes come at a price. It costs 75 percent more to enroll a student in an IBEST classroom than in a traditional one, and without special funding, colleges likely would be unable to offer the classes [221]

b. Arkansas Career Pathways Initiative (Statewide)

Another well-known effort to break down barriers facing low-income students at two-year colleges is the Arkansas Career Pathways Initiative. As mentioned previously, the initiative is an outgrowth of a pilot project launched in 2003 by the Southern Good Faith Fund, a nonprofit organization in Little Rock, and two community colleges. The project's goal was to better connect low-skill, low-income adults to postsecondary education and careers in high-growth fields like health care. Because the pilot was funded with part of the state's federal Temporary Aid to Needy Families (TANF) block grant, the program focused initially on TANF-eligible individuals. As a result, the program offered not just education, but also such extensive support services as childcare, transportation, tuition assistance, and counseling.[222]

In 2005, the state decided to invest additional money to expand the initiative to 11 colleges, and more recently, the state legislature decided to make the program permanent, expand it to all 22 two-year colleges, and raise program eligibility. Over its first two years of statewide operation, the Career Pathways Initiative served 5,983 individuals and awarded 955 credentials of various kinds. Additionally, during its second full year of operation, 90 percent of enrolled students either earned a credential or continued as enrolled students.[223] Furthermore, the project managed to improve community college practices to help make the colleges more responsive to the needs of low-income students, especially by "pushing reforms in remediation and trying to accelerate services and shorten credit programs" and trying to tackle all of the pieces at once.[224]

c. Latino Pathways (Greensboro, NC)

In recent years, the South has seen its population of immigrants, particularly immigrants from Spanish-speaking counties, grow sharply. While many of these new residents have educational needs, the region's two-year colleges generally have been ill-equipped to serve those individuals.

A desire to address that shortcoming led Guilford Technical Community College in Greensboro, NC, to develop a certified nursing assistant pathways a as part of its involvement in the Latino Pathways project. Organized by MDC, Inc., Latino Pathways endeavored to build a local workforce partnership that could help immigrants improve their literacy skills, access educational opportunities, and prepare for living-wage jobs. To facilitate that partnerships, MDC provided two years' worth of funding to a local consortium that included Guilford Tech.[225]

Guilford Tech attempted to combine ESL training and occupational instruction to build career pathways in several fields, though most students were enrolled in the certified nursing assistant (CNA) track. Although CNA is a relatively low-paying occupation, it can provide a foothold in the health care industry for individuals who wish to build a career in that field, although additional education is needed. The CNA training model developed at Guilford Tech moves people through a four-step training process that lasts for 14-15 weeks During the program's training phase, students take classes for four nights a week: three nights are devoted to practical skill training taught by a bilingual instructor and the other night is dedicated to ESL instruction taught in a contextualized format.[226]

Over the two years in which it received funding through MDC, Guilford Tech served nearly 400 individuals. All successful graduates obtained employment, and employed graduates posted income gains.[227] Despite those successes, financial constraints prevented Guilford Tech from continuing to operate the program following the end of the grant. Responsibility for the program has shifted to a community-based organization, and its future currently is unclear.[228]

d. Work Readiness Certificates (Nationwide)

Although not truly a jobs-centered development strategy, career readiness certificates have taken hold as a kind of human capital strategy in many southern states. These programs aim to create "a low-cost, rapid turn-around credential that might provide a competitive edge in the job market."[229] By assessing and certifying an individual's basic literacy and "soft" skills, the goal is to provide workers with educational deficiencies a way of signaling to employers that they "possess the basic skills needed to perform, at minimum, entry-level work across sectors."[230]

These programs take different forms, but the main one, which currently is in use in nine southern states, is the WorkKeys Career Readiness Certificate. Developed by ACT, Inc., a nonprofit testing and educational management firm, WorkKeys is a three-part battery of standardized tests targeted towards individuals with at least a ninth-grade education. Test scores supposedly reflect an individual's mastery of the skills needed to perform particular jobs, as identified by ACT's profiles of actual jobs at specific companies. The higher the test scores, the more profiled jobs a person supposedly is qualified to perform.[231] Georgia has taken the concept even further and now certifies whole counties as "Work Ready Communities" based in part on the number of residents who possess career readiness certificates.[232]

Despite its regional popularity, there is little evidence that "work readiness certificates make a difference to job seekers in terms of the length of their job searches, the wages they are offered, or their retention on the job."[233] Other research suggests that many employers place little value on the credential. While a career readiness certification process may be a tool that could be used within a jobs-centered development initiative, it appears to be a poor substitute for the kinds of comprehensive jobs-centered development efforts described in this paper.

iv. Systems Reform Strategies

A final group of jobs-centered development strategies aims to bring about significant changes in either the labor market or public institutions. While an intention to improve the ability of such institutions to serve low-income or disadvantaged workers is a vital part of jobs-centered development, systems reform strategies are designed intentionally to produce widespread changes. Such efforts seldom emerge from the grassroots and instead tend to be top-down efforts financed by government agencies and philanthropic institutions.

a. Adult Literacy Systems Change (Nationwide)

In recent years, adult literacy education has been a major target of philanthropically-funded reform efforts. Consider the *Breaking Thorough* initiative, a multi-year project financed by the Charles Stewart Mott and Ford Foundations. The initiative was launched to help individual two-year colleges across the country improve their ability to serve literacy students, primarily those functioning at or below the 10th-grade level, and more effectively connect those students to postsecondary programs.[234] In North Carolina, supplemental funding from the GlaxoSmithKline Foundation allowed six community colleges to participate and enabled the state community college system to participate in the project in a more comprehensive way. In effect, the project and funding afforded the North Carolina Community College System the opportunity and resources needed to rethink adult literacy programs, experiment with new models and create a template that could be scaled up to the entire system.[235]

An even more aggressive approach to reform adult literacy and workforce systems is the *Shifting Gears* project sponsored by the Joyce Foundation, a regional foundation based in Chicago, IL. The project's goal is to reorganize entire state adult literacy systems along the lines of jobs-centered development models and strategies, particularly career pathways. The foundation's efforts currently focus on three states – Illinois, Indiana and Wisconsin – and plans to expand into Ohio and Minnesota. The project grew out of an awareness of the limitations of traditional economic and workforce development and a belief that philanthropic resources could provide the incentives that many public systems lack but need to innovate. Explains one of the program's architects, "The workforce development system has a bad reputation, but there really are successes out there. Success often happens in spite of existing federal and state policies." She adds, "Philanthropy can help ensure that resources are used more effectively and are invested in adults in ways similar to public education." To achieve its goals, the project has convened state partnerships led by a public institution. Nevertheless, the scale of the project's vision coupled with its youth means that it likely will take several years to achieve programmatic results.[236]

b. Virginia Career Pathways Initiative (Virginia)

During his term in office, Gov. Tim Kaine has devoted considerable energy to reforming the state's workforce development system. A 2006 strategic planning process concluded that the state needed a "world-class workforce development system that meets the needs of workers and employers throughout the state."[237] In subsequent years, the governor and legislature restructured the management of the state's workforce initiatives by creating a statewide chief workforce development officer, establishing a workforce sub-cabinet and transferring responsibility for the state's Workforce Investment Act funding to the community college system.[238]

After strengthening the governance of its workforce system, the state turned its attention to developing a framework capable of uniting the various pieces into an integral whole. To that end, Virginia currently is crafting a statewide career pathways initiative. A report issued in December 2008, outlined how such a system might operate, identified key challenges, and presented an implementation plan that would create a statewide program by the summer of 2010.

c. Workforce Innovation in Regional Economic Development (Nationwide)

In late 2005, the U.S. Department of Labor launched a major national initiative to reform regional workforce systems along the lines of jobs-centered development efforts. The Workforce Innovation in Regional Economic Development initiative (WIRED) was intended to help regions better align their economic and workforce development systems to better serve growing industries. Funded by the fees collected from the visas issued to skilled foreign workers, WIRED provided significant funding and technical support to regions across the country. The first wave of grants awarded each of 13 regions $15 million over three years; two subsequent rounds of competitive grants provided an additional 26 regions with lesser amounts of funding. The South currently is home to seven WIRED regions: the Piedmont Triad of North Carolina; Western Alabama and Eastern Mississippi; Tennessee Valley; Arkansas Delta; Central Kentucky; Southeastern Mississippi; and Southeastern Virginia.[239]

7. Lessons Learned and Changing Realities

Over the past decade, policymakers and practitioners in the economic and workforce development fields have reevaluated traditional models and have begun experimenting with jobs-centered development. These efforts aim to integrate the tools of economic and workforce development in order to grow regional economies, expand the quality and quantity of available employment opportunities and improve the ways in which public institutions, firms and labor markets operate. Because these efforts have unfolded in a decentralized manner, it often is difficult to see the common threads. A review of the existing literature, a scan of promising practices, and discussions with experts across the country suggest there are 11 lessons that can be gleaned from the innovations of the past decade. There also exists a major challenge that will impact the future of jobs-centered development.

A) Lessons Learned

The move to jobs-centered development originates in the realization that ***traditional economic and workforce development policies and systems inadequately serve low-income individuals, non-metropolitan communities and small businesses.*** Economic development, especially in the South, long has revolved around the recruitment of businesses through the use of public subsidies and has paid little attention to business expansion and creation. Not only is the dominate approach costly, but it also tends to privilege metropolitan areas since those are the locations typically favored by relocating firms. Additionally, traditional economic development pays little attention to questions of job quality and equity and instead has sold the South on the basis of its low labor costs. The result: entrenched patterns of low-wage work. In the same vein, workforce development practices typically operate in isolation from the larger economy and frequently fail to meet the needs of local workers and businesses. Such efforts also tend to favor metropolitan areas due to the dense nature of metropolitan labor markets. Moreover, differences in funding, accountability regimes and bureaucratic cultures have limited coordination between economic and workforce development systems.

Second, ***the door to a broader conversation about economic and workforce development has opened, but actions have not matched the rhetoric.*** Beginning in the 1990s, leaders in both the economic and workforce development fields were forced to reappraise traditional methods, respond to changes in national policies, and confront demographic shifts in the workforce. These changes elevated the importance of workforce skills as an essential ingredient of regional economic competitiveness – a view reflected in the popular saying "economic development is workforce development." While many officials have adopted this rhetoric, few policies and priorities actually have changed. Most states continue to devote their resources and attention on the skills of primary and secondary students, even though two-thirds of the workers of 2020 already are in the workforce.[240] Few places in either the nation or South yet have crafted systematic plans for cultivating the skills of the adult workers essential to long-term development.

Third, ***jobs-centered development models hold the potential to grow local economies, create employment opportunities and reform institutions.*** Jobs-centered development models aim to integrate the tools of economic and workforce development in ways tied to the actual skill needs of local industries and workers. While models vary, successful ones typically are built upon five building blocks: an awareness of the macro context, an understanding of a regional economy, knowledge of business requirements, an emphasis on the needs of workers and reliance upon trusted intermediary organizations. These five elements, in turn, can be combined in different ways to deliver a variety of strategies, such as those targeting traded industries, non-traded industries, human capital formation and systems change.

Fourth, ***workforce intermediaries stand at the heart of successful efforts.*** Jobs-centered development projects hinge upon the ability of intermediary organizations – unions, industry partnerships, public institutions and nonprofit organizations – to serve as flexible, entrepreneurial brokers that are trusted by employers and workers due to their understanding of the needs of each. However, not every organization is suited to play the intermediary role. Community-based organizations, for instance, often lack either the capacity to provide complex intermediation services or the credibility needed to bring key stakeholders like businesses to the table. Similarly, public institutions often are constrained in their ability to innovate, plan for the long term or focus on questions of equity.

Though essential, intermediary organizations frequently struggle to attract funding. This need recently led a group of national foundations to create the National Fund for Workforce Solutions, a five-year effort to create a national funding intermediary that will raise between $30 to $50 million to support jobs-centered development efforts across the country. The hope is that pooling resources will permit jobs-centered development to take root faster and more firmly than they otherwise would.[241] To date, just one of the fund's investments has occurred in the South.

Fifth, ***two-year colleges have the potential to serve as valuable intermediaries and efforts to tap that potential are becoming a national focus of attention.*** Two-year colleges are appealing partners for jobs-centered development as they provide quality training tailored to local labor markets, serve low-income adult students and are scattered geographically. In fact, in many non-metropolitan areas, a two-year college may be the only major institutional service provider. Additionally, many colleges realize that they must improve their ability to serve low-income students. This dynamic creates an opportunity for innovative partnerships like the Arkansas Career Pathways Initiative. Similarly, various national efforts ranging from the Lumina Foundation's "Achieving the Dream" initiative to the Bill and Melinda Gates Foundation's growing work with community colleges have targeted two-year institutions. Two-year colleges that provide adult literacy instruction also are involved in efforts designed to improve literacy education. Such partnerships with outside organizations help push colleges to revise curricula, reform policies and offer the academic and work supports that low-income students often need to succeed in a program of study.

Sixth, ***third-sector efforts are essential to advancing equity.*** Perhaps the greatest shortcoming of traditional economic and workforce development in the South has been a staunch refusal to consider questions of economic structure and distribution. This practice has produced growth without development and has done little to alter the region's rankings in most vital measures of social and economic well-being. Given the entrenched mindset and the difficulties public institutions face in addressing questions of equity, third-sector organizations, particularly those capable of working within public system, must play a role in pushing policies and institutions to pay increased attention to equity concerns. In fact, this desire is essential to most jobs-centered development efforts. While practitioners may speak publicly in the language of business and economic development, most view their work as revolving around poverty alleviation and an expansion of the economic opportunities available to disadvantaged or marginalized groups.

Seventh, ***industry involvement is essential to jobs-centered development, but just how much involvement is subject to debate.*** Business involvement is a key building block of jobs-centered development, and successful efforts carefully target the demand side of the labor market and help employers find and cultivate skilled workers. Yet just how involved should businesses be? Some leaders believe that firms need to be involved intimately in a program, while others say that industries simply need to signal clearly the required skills and credentials and then be willing to hire qualified candidates. In part, the exact degree of business involvement hinges upon the structure of the actual industry. A more hand-off approach may work well in health care, for instance, which is characterized by clear credentialing requirements and an organized occupational structure. In contrast, greater levels of involvement may be required in efforts targeting industries like manufacturing. Knowing how best to engage a specific field is one of the competencies that a good workforce intermediary can bring to a project. And as mentioned previously, a completely different set of challenges exists in areas with weak labor markets and relatively few employers.

Eighth, ***issues of job quality are difficult to address.*** An essential goal of jobs-centered development is to improve the quality of jobs available to workers by influencing firm practices and the ways in which local labor markets operate. Yet perhaps owing to the young nature of jobs-centered development efforts, few have achieved the scale needed to achieve meaningful reforms. Industries characterized by low pay and meager benefits may participate in jobs-centered efforts, but they generally maintain their compensation practices. This is especially true in non-traded industries like health care, child care, hospitality and retail. Typically, efforts that involve unions and organized workplaces are better able to improve job quality than those lacking union involvement. Efforts that lack union involvement often try to achieve the same results by mimicking key union functions, focusing on high-road employers, ensuring that workers have access to work supports, emphasizing career building and supporting improvements in labor market standards.

Ninth, ***innovative efforts generally have ignored the non-metropolitan South.*** Many of the most promising national efforts have unfolded in large metropolitan areas, especially large northern ones like Chicago. Such places lend themselves to such efforts due to their large sizes (e.g. metropolitan Chicago had more residents than any southern state in 2007), thick labor markets, deep service and resource networks and high union densities.[242] These places also are home to many of the national foundations inclined to support ambitious efforts. In contrast, fewer projects have occurred in the South with most occurring in metropolitan regions. In many ways, non-metropolitan communities, particularly remote ones in the Mississippi Delta and Appalachia, have been left behind.

This is not to say that non-metropolitan communities are devoid of innovation. Initiatives like HandMade in America, the Arkansas Career Pathways Project, alt.Consulting, the Jubilee Project and Enterprise Corporation of the Delta have taken root in the South. These initiatives, however, largely operate on their own, struggle with resource limitations and receive limited support from public systems or the national philanthropic community. More specifically, business development and entrepreneurship efforts often struggle with a lack of professional and technical support services, an incomplete internet/technology infrastructure, isolation from markets and limited capital pools. Many efforts in non-metropolitan places must take advantage of existing opportunities and resources and embrace different or unconventional strategies.

Tenth, ***jobs-centered development efforts require civic leadership to succeed.*** No jobs-centered development effort succeeds without civic leadership and partnerships with the "right" local stakeholders. For example, knowing the right person at a local college allowed Southern Good Faith Fund to develop the original career pathways project in Arkansas. While that effort proved successful in serving two communities, the only way it was able to expand statewide was by gaining the commitment of the Office of the Governor – a commitment fostered through the state's participation in a planning academy sponsored by the National Governors Association. Absent leadership, even the most promising projects will achieve only a modest impact.

Finally, ***the policy landscape is becoming more favorable to jobs-centered development.*** When the leadership interviews occurred last fall, Barack Obama had just been elected president, and practitioners across the country were cautiously optimistic that a new administration would prove more favorable to jobs-centered development and adopt national policies that would facilitate the field's growth. Since taking office, the new administration has indeed implemented some promising practices. The American Recovery and Reinvestment Act, for instance, not only injected funds into a variety of federal workforce development programs, but also created a $750 million "Competitive Grant Program for High Growth Industries" to support the growth of jobs-centered development in the "green economy" and health care. The act also established an industry partnership grant program for trade-impacted communities.[243] Similarly, the administration's budget proposal strongly emphasizes energy policy and the need to grow a "green workforce." The document also expresses broad support for the general building blocks of jobs centered development, proposes funding for regional development efforts and stresses the need for all workers to obtain some level of postsecondary education.[244]

The articulated priorities of the new administration to date indicate that it plans to be supportive of the kinds of emerging opportunities that national and regional experts in jobs-centered development have noted for some time. Health care and the "green economy" frequently are mentioned as areas of promise, as are the "creative economy" and entrepreneurship. Yet despite all the attention, these concepts remain aspirational ones rather than well-defined programs of action. Going forward, the key challenge will be to ensure that efforts to grow such fields as the "green economy" embody the key principles of jobs-centered development rather than devolving into the provision of subsidies to favored fields.

B) A New Economic Challenge

Jobs-centered development originated during the tight labor markets of the 1990s. As a result, firms were desperate for talented workers and were more willing to engage in partnerships and consider hiring non-traditional candidates. This condition held until through the 2001 recession, but the subsequent jobless recovery expanded the potential labor pools from which firms could draw. Meanwhile, the recession that began in late 2007 has reduced the demand for labor and expanded the pool of potential job seekers. This change in the nature of the labor market likely has altered the landscape for jobs-centered development.

Since the start of the current recession (December 2007 through June 2009), southern firms have eliminated, on net, 1.1 million payroll positions **(Figure 13)**.[245] Payrolls have contracted in every major private industry, save health care and education, with most of the losses having occurred since late 2008. As a result, unemployment has climbed in every southern state with losses buffeting virtually every major demographic group. To further compound the situation, plummeting demand has made it difficult for firms, especially those in non-metropolitan areas, to survive. This only has exacerbated the downward pressures on the labor market.

Figure 13: Change in Total Non-Farm Payroll Employment (Seasonally Adjusted), South, December 2007 - July 2009 (Current Recession)

State	Total Jobs Dec. 07	Total Jobs June. 09	# Change	% of Dec. 07 Total
AL	2,012,600	1,907,600	(105,000)	-5.2%
AR	1,207,600	1,178,200	(29,400)	-2.4%
GA	4,154,200	3,901,800	(252,400)	-6.1%
KY	1,871,900	1,775,000	(96,900)	-5.2%
LA	1,936,200	1,924,500	(11,700)	-0.6%
MS	1,158,200	1,118,000	(40,200)	-3.5%
NC	4,172,000	3,911,700	(260,300)	-6.2%
SC	1,948,600	1,852,400	(96,200)	-4.9%
TN	2,806,600	2,664,900	(141,700)	-5.0%
VA	3,769,600	3,664,000	(105,600)	-2.8%
WV	761,200	735,500	(25,700)	-3.4%
South	25,798,700	24,633,600	(1,165,100)	-4.5%
US	138,152,000	131,488,000	(6,664,000)	-4.8%

Source: Current Employment Statistics, U.S. Bureau of Labor Statistics

The United States is mired in the longest, and perhaps most severe, recession of the postwar era. Little evidence suggests that this recession will end anytime soon or that it will be followed by a robust recovery. Even when the overall economy begins to grow again, the demand for labor probably will be weak, and unemployment will remain at high levels for years to come. Firms consequently will be in a much stronger position to find talent than was the case during the late 1990s. This change likely will test jobs-centered development as to the degree to which an approach developed during a full-employment economy can serve workers and firms during a jobs-shortage economy.

Ironically, the recession has triggered a wave of interest in the labor market and new investments in jobs-centered development. The American Recovery and Reinvestment Act is providing many federally-supported workforce systems, such as the Workforce Investment Act and the Employment Service, with their first meaningful funding boosts in years while also expanding important programs like Trade Adjustment Assistance and providing new support for jobs-centered development efforts, particularly those linked to the "green economy." As **Figure 14** illustrates, some hundreds of millions in federal workforce funds will flow into the South over the next 24 months. The scale and speed of the money mean that many important policy decisions will be made shortly and state-level advocacy will be vital to ensuring that the funds are used to support true jobs-centered development initiatives and benefit the region's low-income residents. This is an unprecedented development for which there is no playbook.

Figure 14: Funding for Selected Workforce Programs, American Recvoery and Reinvestment Act, Fiscal Years 2009 and 2010 (1)

State	Total ARRA Funding (All Sources)	Wagner-Peyser Funding	Workforce Investment Act - Dislocated Workers	Workforce Investment Act - Adult	Workforce Investment Act - Youth	UI Administration Grants	First-Round Incentive Funding (2)
AL	$2,428,735,855	$5,248,069	$10,314,484	$5,154,575	$11,765,054	$7,200,000	N/A
AR	$1,535,893,805	$3,450,221	$7,585,565	$12,187,430	$12,187,430	$4,300,000	N/A
GA	$4,685,928,364	$11,391,370	$41,243,846	$13,251,530	$31,678,450	$15,700,000	$73,400,000
KY	$2,233,474,278	$5,279,771	$19,291,160	$8,274,845	$17,888,707	$6,400,000	N/A
LA	$2,517,313,861	$5,487,439	$9,800,063	$8,791,202	$20,214,415	$7,000,000	N/A
MS	$1,712,737,790	$3,817,118	$18,301,791	$7,851,310	$18,875,780	$4,000,000	N/A
NC	$4,086,522,881	$10,873,420	$39,839,549	$10,441,581	$25,323,937	$14,600,000	$68,300,000
SC	$2,274,195,195	$5,756,456	$28,698,609	$10,522,446	$24,961,912	$7,000,000	N/A
TN	$3,108,979,510	$7,426,419	$29,028,064	$10,945,315	$25,352,643	$10,100,000	N/A
VA	$3,218,845,160	$8,596,146	$13,564,389	$5,280,438	$13,113,750	$13,500,000	$62,800,000
WV	$1,049,782,278	$3,173,286	$3,561,900	$2,434,457	$5,397,290	$2,400,000	N/A

Notes: (1) All of these totals are for 24 months. (2) The American Recovery and Reinvestment Act contains funding for unemployment insurance administration costs that is not included in the overall total; also, the legislation provides incentive funding for states that adopt certain beneefit reforms with their unemployment insurance systems. Currently, only Georgia, North Carolina and Virginia qualify for the initial incentive payments; those states could qualify for another payment if they meet certain requirements. Sources: U.S. Senate Finance Committee; National Employment Law Project

8. Conclusion

Jobs are essential to the well-being of individuals, businesses and communities Given that importance, the public sector long has played a role in fostering private-sector employment opportunities. In the South, states aggressively have used economic and workforce development to help overcome the economic backwardness that characterized the region prior to the Second World War. Seen in one light, these efforts have paid impressive dividends and have contributed to the region's rapid economic growth. Seen in another light, however, these efforts have delivered few benefits from the South's low-income people and places. To a large degree, this outcome is the result of the region's staunch refusal to consider questions of economic structure, distribution and equity.

By the mid 1990s, the shortcomings of traditional economic and workforce development policies had become obvious. When coupled with changes in the national policy landscape and demographic shifts, this awareness led regional leaders to begin experimenting with jobs-centered development. This approach aims to grow a regional economy by addressing the needs of local industries and cultivating the skilled workers needed by those industries in ways that foster quality jobs and career opportunities for low-income workers. Unlike traditional workforce development, jobs-centered development is more demand driven, meaning it pays greater attention to business needs, and unlike traditional economic development, it pays greater attention to job quality and equity. And to both of these areas, it adds an emphasis on policy and institutional change.

Jobs-centered development is built upon five building blocks: an awareness of the macro context, an understanding of a regional economy, knowledge of business requirements, an emphasis on the needs of workers and reliance upon trusted intermediary organizations. These five elements, in turn, can be combined in different ways to deliver a variety of development strategies. Such strategies, in turn, generally fall into one of four categories: traded industry strategies (e.g. life science manufacturing), non-traded industry strategies (e.g. health care), human capital strategies (e.g. career pathways) and systems change (e.g. adult literacy reform).

Experiments with jobs-centered development models and strategies suggest successful ones are those that emphasize the demand side of the labor market; stress specific opportunities within regional economies; foster skills development, education and career advancement for low-income individuals; aim to improve job quality; rely upon intermediary organizations; and strive to reform public institutions and firm practices. Despite some promising successes, however, the jobs-centered development field remains too new and small to judge definitively.

Since taking office in January, the Obama administration has begun to implement national policies designed to foster the adoption of jobs-centered development, especially as it relates to the "green economy." The recently enacted recovery package also provides the first sizable increase in funding for key federal workforce efforts in several years and encourages the creation of jobs-centered development approaches. At the same time, the severity of the current recession and the likely jobless recovery will test the ability of a model developed in the context of a full-employment economy to respond to the needs of an economy creating few jobs.

The next several years may be a time of challenge and innovation for jobs-centered development. The task in the South will be not just to build upon promising practices but to do so in ways that avoid the past shortcomings of economic and workforce development strategies. By emphasizing the needs of all Southerners, especially those struggling with low-wages, regional leaders have an opportunity to foster more sustainable and equitable long-term development.

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