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Human Capital And Legacy Cities

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This chapter addresses the question of whether shrinking United States cities, or legacy cities, face unique human capital challenges—beyond the extreme loss of jobs and population over many decades—compared to other cities and the national experience.¹ Is poverty more severe in these cities, limiting their ability to build human capital and take advantage of new business and job opportunities? Is there a greater mismatch in legacy cities between the skills needed by employers and the skills of the workforce? Similarly, do these cities face larger problems with “spatial mismatches,” in which people who need jobs don’t live near the places that have jobs? Is the civic capacity needed to fashion innovative partnerships and services severely compromised?

A relevant and related question is whether, and to what degree, legacy cities should even focus on human capital strategies for children, young people, and adults, given their overarching challenges of jump-starting economic development, amassing vacant land for new uses, and right-sizing government service delivery. After all, workforce investments in the context of high unemployment are frequently more about rearranging the queue, not accessing net new opportunities.¹ Isn’t economic development the paramount objective? Yet equity and fairness are also important goals, especially because benefits from new development do not automatically flow to low-income residents, and they sometimes produce negative impacts. These are the kind of questions we hope to explore in order to provide useful advice for public, private, and civic leaders and policymakers concerned with the future of shrinking cities.

In the end, we argue that shrinking cities should:

- Develop two-generation human capital plans, focused both on parents and children, that carefully balance current and future needs and economic and human development
- Take advantage of economic and workforce assets like anchor institutions, existing businesses, sector or industry strengths, as well as local assets
- Develop a pipeline of effective programmatic investments in skill acquisition and work experience
- Create regional workforce partnerships for strategy development, coordination, implementation, and accountability
- Support physical and economic revitalization approaches that contain a human capital component
- Embrace a policy agenda that addresses the unique human-capital challenges of shrinking cities.

This chapter explores the human-capital challenges facing legacy cities and the nation, examines labor-market data for a sample of shrinking cities, considers alternative strategic frameworks for guiding human-capital investments in these places, provides estimates of the investment required, identifies promising practices for a human-capital agenda in shrinking cities, and concludes with recommendations for program and policy consideration.

The Human Capital Challenge

Most U.S. cities and metro areas face serious human capital challenges, given that many low-income residents have neither the skills nor the education needed for jobs that can sustain a family. Many of these residents live in neighborhoods disconnected physically and socially from job centers. Some face significant barriers to economic success, such as criminal records, limited English skills, and physical and mental health problems. The challenges are likely to grow more pronounced in the coming decades, given the enhanced skill requirements of new job creation, global competition for workers and companies and the impending retirement of skilled baby boomers.² While the economy is projected to produce large numbers of lower-skilled, entry-level jobs in retail, service, and health care, many of the best opportunities will be in so-called middle-skill jobs that require workers to have some college education and will become available in such sectors as health, manufacturing and construction.³ Georgetown University's Center on Education and the Workforce projects the availability of eighteen million jobs by 2018 that will require a postsecondary level of education.⁴ Meeting this demand for jobs and skills in a timely and sustainable way will stretch local capacity for many reasons, not the least of which is that 88 million adults in the United States have at least

one educational barrier: no high school diploma, no college degree, or limited English skills.⁵ This isn't just a question of improving children's educational prospects. A two-generation approach to developing human capital is needed because more than half of those who will comprise the 2030 workforce are already working.⁶

Future skill requirements underscore the importance of meeting a set of workforce and education challenges touching on both children and parents:

- Ensuring that adults have adequate work experience and increasing labor force participation
- Improving school readiness and third grade reading achievement
- Increasing high school completion and postsecondary educational attainment
- Closing literacy and numeracy skill gaps
- Improving basic and technical skills of existing workers
- Giving workers the skills and credentials required by new and modernizing businesses

In most cities, not just those that are shrinking, these challenges are magnified by mismatches between where workers live and where jobs and businesses are located; a systemic disconnection between economic, workforce, and education investments; the fragmentation of workforce/education institutions and systems across regions; and the inadequacy and/or poor targeting of public and private resources aimed to enhance human capital.⁷

Policy and programmatic answers that address these challenges are becoming better defined and more widely adopted, although it will be a challenge to increase the size and reach of the most promising efforts. There is also a broader recognition of the need to improve the skills of workers and job seekers to benefit both those workers and the employers. Human capital challenges and investments, for example, have moved from low on the list of priorities for the business community to the top of their concerns about successful economic development.⁸ Business and economic developers talk about the "talent gap" as a fundamental driver of wealth creation, yet the United States lags behind in educational achievement, especially in the disciplines of science and math, when compared to other advanced economies and our primary competitors.⁹

The United States needs to build highly effective education pipelines that take children from early childhood to postsecondary achievement; provide opportunities for adults to learn new skills and adapt for career advancement; promote employer-recognized training and education credentials, as well as industry-focused training; and develop new, affordable financing mechanisms for skill attainment. In addition, there should be a greater role and set of incentives for businesses to define skill requirements, provide on-the-job supports for career advancement, and target investments in human-capital training.¹⁰ These approaches remain

difficult to achieve on a large scale because of resource constraints, institutional fragmentation, bureaucratic funding “silos,” improper or nonexistent incentives, lack of employer buy-in, skill gaps, weak skill-acquisition norms, and a lack of overall national leadership on human-capital development. Moreover, current economic conditions make entering or reentering the labor market more challenging for young workers, as well as those with fewer skills and more workforce barriers. These problems are exacerbated in shrinking cities and other depressed regional labor markets.

Many planning documents for legacy, or shrinking, cities simply extrapolate from the list of national human-capital priorities and promising practices to the policy, rather than develop customized interventions. Many of the human-capital investments being made throughout the country are appropriate for shrinking cities, as well. Our belief, however, is that these cities also need to think carefully about the unique challenges they face before rushing to adopt what everyone else is trying. Without taking this step, they run the risk of missing the factors essential for constructing and implementing viable human capital agendas that complement overall economic-revitalization strategies. Shrinking cities risk severe investment mismatches that they can ill afford.

Do legacy cities have any advantages for reinvigorating their human capital investments? Many shrinking cities have universities, health-care institutions, and philanthropic legacies that provide important resources and leadership.¹¹ Frequently, these cities also have a legacy of manufacturing strength that, while battered by change, endures in the form of supply chains, industry knowledge, institutions, and human capital. Finally, the emergency situation facing these cities may, if addressed productively, enable shrinking cities to more easily reinvent institutional arrangements and systems that are now impeding progress. A good example of such a comprehensive vision is contained in the American City Agenda for Cleveland.¹²

A Closer Look At Legacy Cities

Shrinking or legacy cities are places that have lost substantial population and employment over multiple decades.¹³ They are a subset of the one hundred or more distressed industrial cities of various sizes across America. In the process of decline, these cities have lost many of the resources needed for economic revitalization and may, therefore, have lost some measure of the institutional capacity necessary for sustained innovation. For these cities, the “old way” of doing business is no longer tenable, but dramatic change is difficult, as institutions naturally protect what has come before. An overarching question for all of these cities is whether the population decline has actually ended.

Many legacy cities are concentrated in the Rust Belt and Great Lakes region, but the list also includes places like Richmond (CA) and New Orleans. On average, these cities have lost a third of their employment/population base and several, such as St. Louis and Youngstown, lost more than 50 percent of their population by 2000 from their peak size around 1950. Many of these cities have lost an additional 10 percent of their population in the past decade.¹⁴

In general, legacy cities are contained within regions that have declined or are experiencing slow growth, what are sometimes called “weak market” regions.¹⁵ And many shrinking cities are part of substate or multistate regions that are experiencing decline, such as the Midwestern Rust Belt. What this means is that shrinking cities cannot simply rely upon creating better connections to the economic vitality of their regions, although such opportunities certainly exist. Yet, one must keep in mind that shrinking cities are not all the same in terms of the degree of loss, the mix of remaining economic activities and populations, and their legacies of philanthropic and civic resources produced by the corporate leaders of the past economy.

Tables 1, 2, and 3 summarize a range of demographic and employment statistics for a sample of shrinking cities: Cleveland, Detroit, Pittsburgh, Buffalo, Rochester, and New Orleans, along with national data, to put the employment conditions of these shrinking cities into perspective. Key statistics include employment loss, unemployment, employment participation rates, median age of the workforce, rate and concentration of poverty, high school graduation, college attainment, migration rates, and suburban or city job comparisons.

Table 1: *Demographics in Shrinking Cities*

<i>City</i>	<i>Population</i>	<i>Population Change (1990-2009)</i>	<i>Median Age</i>	<i>Poverty</i>	<i>MSA Poverty*</i>	<i>Immigration</i>
Buffalo	270,240	-17.6	34.8	28.6	13.6	6.1
Cleveland	431,369	-14.6	35.9	30.2	13.6	4.9
Detroit	910,921	-11.3	33.7	33.2	14.2	6.5
New Orleans	354,850	-28.5	36.7	23.4	15.9	5.1
Pittsburgh	311,647	-15.7	35.5	21.7	11.8	7
Rochester	207,294	-10.5	31.9	29.1	12.3	7.7
United States	307,006,550	23.4	36.5	13.5	N/A	12.4

*Kneebone and Berube, 2008.

Source: U.S. Census Bureau, 2009 data

(http://factfinder.census.gov/home/saff/main.html?_lang=en).

Table 2: *Educational Attainment in Shrinking Cities*

City	No Diploma	High School Diploma	Some College	Associate's Degree	College Graduate	Graduate Degree
Buffalo	13.3	31.4	19.9	7.9	12	9.3
Cleveland	18.4	35.7	20.3	5.8	8.5	5.2
Detroit	16.9	34.4	23.6	6.1	7.5	4.7
New Orleans	12.1	28	20.7	3.5	17	12.3
Pittsburgh	9	31.4	15.9	7.3	17.3	15.9
Rochester	14	27.6	17.6	8.9	14.4	10.2
United States	9.1	29.3	20.3	7.4	17.4	10.1

Source: U.S. Census Bureau, 2009 data (http://factfinder.census.gov/home/saff/main.html?_lang=en).

Table 3: *Employment Data in Shrinking Cities*

City	2009 Unemployment Rate	MSA Unemployment Rate	2009 Employment Rate*	MSA Employment
Buffalo	12.1	7.2	52.2	58.2
Cleveland	16.6	8.8	50.2	59.5
Detroit	22.1	11.5	42.9	56.4
New Orleans	12.5	8.2	53.6	57.6
Pittsburgh	8.1	6.3	55.7	57.8
Rochester	10.7	6.6	53.6	59.5
United States	7.2	N/A	59.9	N/A

*Refers to civilian labor force currently employed.

Source: U.S. Census Bureau, 2009 data (http://factfinder.census.gov/home/saff/main.html?_lang=en).

Overall, legacy cities have lost proportionately more employment than the nation as a whole, have higher unemployment and poverty rates, lower employment participation, a lower number of high school graduates, a lower proportion of college graduates, fewer in-migrants, and more pronounced spatial mismatches. The comparative age profile for these cities shows that they are roughly similar to other cities, but have slightly more people over the age of sixty-five.

But shrinking cities are not all the same. Detroit stands out with more pronounced labor-market challenges across a number of variables, especially for labor-force participation, unemployment, college attainment, and poverty. New Orleans, even before the dramatic changes resulting from Katrina's aftermath, had higher rates of labor-force participation, college attainment, and immigration, and

somewhat lower rates of poverty, although still higher than national rates. Likewise, Pittsburgh's poverty rate is higher than the national average but lower than that of many other legacy cities; its employment participation approaches the national average, as do its rates of college and graduate school attainment.

The tables show that shrinking cities are more racially segregated than other areas and they capture the geographic mismatch between where jobs are and where workers live. As shown in *Table 4*, the sample cities have Dissimilarity Indexes above the national weighted average of .64, a measure of racial segregation, with Detroit, Cleveland, and Buffalo experiencing significantly higher levels of racial segregation. Detroit, Cleveland, and Rochester also have higher rates of concentrated working poverty (ZIP codes in which more than 40 percent of taxpayers claimed the Earned Income Tax Credit) compared to other cities in their regions, as shown in *Table 1*.¹⁶

The Metro Dissimilarity Index in *Table 4* measures the racial segregation of a region. The Employment Mismatch Index in *Table 4* measures the separation of the African-American population from jobs.¹⁷ All of the six sample cities have higher measures than the national average, with Detroit's being the highest.

Table 4: *Dissimilarity Index and Job Sprawl in Shrinking Cities*

City	2000 Metro DI*	Employment MI**	Job Sprawl**
Buffalo	0.766	66.2	68.4
Cleveland	0.768	62.0	75.4
Detroit	0.846	71.4	92.4
New Orleans	0.671	64.2	55.6
Pittsburgh	0.66	59.2	36.6
Rochester	0.671	64.2	55.6
Average of the 6 cities		64.7	N/A
Average of all urban regions with more than 500,000 people	0.64	56.5	71.1

*U.S. Census Bureau Tables, 2000

** Michael Stoll, Brookings, February 2005.

Finally, Detroit, Cleveland, and Buffalo have significantly more job sprawl than the other three sample cities and are above the national average for metropolitan areas with more than 500,000 people. Of these three metropolitan areas, Detroit has by far the highest employment concentration outside a ten-mile ring surrounding central business districts.¹⁸

These data show that customized planning is needed to meet the special characteristics of each shrinking city. Yet there is an unmistakable pattern: These

cities have higher unemployment and poverty, lower employment participation, and more people without a high school diploma. It is also clear that there is a racial divide that must be addressed.

Legacy cities face additional challenges beyond the sheer numbers of jobs needed, such as mismatches between available jobs and workers' skills. Workers may lack the skills or job readiness they need, be unavailable to fill industry needs, or be in the wrong place to move into available jobs. There may be a deep gap between workers' skills and the jobs that are available, creating a question of how much remediation is possible in the short run to meet economic development needs. These mismatches lead to jobs going unfilled, people placed in jobs for which they are not fully qualified, or firms deciding not to create jobs in certain locations.

Institutional Capacity For Change

Additional issues related to governance and regionalism need to be addressed if human-capital investments are to be successful in shrinking cities and regions.¹⁹ While shrinking cities may not be worse off than other cities in terms of these factors, weak civic infrastructure will have disproportionate negative effects on the capacity of these places to change course. In fact, conditions such as extreme decentralization and job sprawl are related to governmental fragmentation in shrinking cities and their metro areas in such places as Detroit.²⁰

The overall concept of "civic infrastructure" developed by the National Civic League refers to the vision, leadership, relationships, organizations, and networks that can be drawn upon to address vital community issues.²¹ Some shrinking cities, such as Cleveland, are recognized as having a strong civic infrastructure.²²

Several institutional factors have to be grappled with if human capital investments are to be successful and achieve a large scale within regions. These include:

- Diminished bonding and social capital undermines the ability of people to find jobs and the social supports needed to keep jobs, essential parts of labor market functioning
- Fragmentation of government, private sector, and civic organizations translates into a lack of leadership and resources to develop new kinds of effective partnerships²³
- High civic transaction costs are required for building partnerships and carrying out institutional redesigns in areas with fewer resources and more complex needs, with some needs perceived as more important than human capital, at least in the short run²⁴

Future research needs to explore the role of these factors in labor market functioning and in impeding the development of effective responses to economic

and demographic change. Our hypothesis for this chapter is that these factors do play an important role in shaping human capital responses for shrinking cities.

Strategic Human Capital Options and Their Implications

There is a common tendency to search for and then replicate social programs that address specific needs in the labor market, whether for employers in an industry sector such as health care or for specific populations like the formerly incarcerated or mothers on welfare. This is not a bad thing in general, although it can add to the overall fragmentation of effort. But shrinking cities need to be more strategic because they have fewer resources and a greater need to link workforce development efforts with economic development. Without this concerted action, further population and job losses are possible. As we have just observed, shrinking cities are not all the same.

Two contrasting strategic frameworks showcase seemingly opposing approaches to human capital priorities and planning. A third, mixed approach offers a practical compromise. Strategic thinking of this kind will go a long way to ensuring the development of focused strategies and a better sense of the risk and opportunities.

Build Economic Development Strategies Based on the Existing and Likely Supply of Human Capital

The mantra for this approach is “Grow your own.” People have left shrinking cities and new migrants are unlikely to come back in the short term in any great numbers. The people who remain are likely to stay because of preferences or economic ties such as jobs or housing that cannot be sold, or because they are unable to move anywhere else. In other words, the current population is the human-capital base upon which to build the economic future of the city. Improving the quality of this human capital will, we would expect, meet the needs of employers and, if successful, produce overall increases in regional income.

What are the implications of this approach? Two are obvious. First, cities should go after jobs and businesses that align well with the skills and work experiences of the existing population. Second, cities should go full out to develop the skills of the existing population—retirees, older workers, young workers, youth, and children. That means focusing both on people in jobs and those who are unemployed. Philadelphia estimates that raising the skills of its residents to comparable state levels would result in an 11 percent increase in income, or \$1.8 billion.²⁵

One downside of this focus on the existing population means a city may forgo jobs and businesses that require higher skill requirements. Given current skill levels, a city may be able to attract only service or retail businesses requiring

low-skilled workers, but even attracting and keeping those businesses may be challenging because of declines in overall consumer income. And developing sufficient skills is a long and uncertain process that may take a decade or more, especially in the context of addressing long-term poverty issues that require more than workforce investments.

Focus Human Capital Investments on Current and Future Economic Development Needs and Opportunities

This approach suggests that human-capital strategies should be firmly rooted in the current economic base of a community and the likely economic development opportunities of the future. A community should develop skills among its job-ready workforce and attract the people it needs to fulfill these opportunities rather than focusing primarily on enhancing the skills of existing residents. Increasing jobs and economic development is the priority.

What this means is that human-capital strategies need to be focused on all jobs and occupations with the most relevance to present and future economic development. Cities should ask how they can retain high-level and middle-skill jobs—how they can attract new workers to fill these jobs who are likely to stay in the community—what place-based developments and urban amenities would make a community more attractive to higher-skilled workers and their families; and, finally how they can attract new residents to fill human-capital needs and start new businesses?

A downside of this approach is that it is simply not feasible from either an economic development or political point of view. That is, new people with high skill levels will not beat a path to shrinking cities in the short run. And neglecting or writing off the current population, especially communities of color, may backfire politically, reinforce community stress and dysfunction, and consequently undermine the overall ability of a city to market itself to the rest of the world.

Take a Mixed Approach to Developing Existing Human Capital and Attracting New Human Capital for Economic Development

A mixed approach may, in fact, be the most prudent course because of the inherent uncertainties in the other two approaches. Increasing the capabilities of low-skilled populations is difficult, but so is predicting the likely success of economic-development investments in places that human capital has abandoned. A mixed approach acknowledges a necessary humility in the face of the daunting challenges of revitalizing shrinking cities.

First and foremost, a human-capital strategy should focus on the current needs and opportunities of existing firms and institutions. That means doing everything

possible to help fill jobs, no matter where candidates come from. It also means supporting the career development of existing workers who have demonstrated a commitment to the community. A second strategy is to focus on adults who are working on skill development, particularly those who have done some college work and who are involved in training programs. Creating “bridge” programs for those with good basic skills is a good step.²⁶ Finally, building a prekindergarten-to-college pipeline is essential—with a focus on all young people having access to strong early education, being able to read well by the third grade, graduating from high school, and making a successful transition into postsecondary education.

Attracting and retaining talent is also a part of a mixed strategy, but it should be pursued with care and focus. Some relocating businesses may bring their own workforces. That’s a good thing if workers move to town and firms committed to local hiring in the future. Similar strategies may build on the unique geographic, cultural, or institutional resources, such as universities, hospitals, and other anchors.

The downside of the mixed approach is that it can lead to a city or region doing too many things at once and losing focus. This challenge is especially relevant for shrinking cities because their resources are more limited. Reflecting on what’s working and not working may be the only way to invest appropriately and make midcourse corrections.

Human Capital Dilemmas

The data on legacy or shrinking cities and the contrasting strategic frameworks for human capital investment underscore a set of dilemmas that need to be acknowledged. These are relevant for all cities, but they play a disproportionate role in shrinking cities, some mattering more than others, depending upon local conditions and human-capital priorities.

Dual-Customer Workforce Development

A dual-customer approach has become the recognized paradigm for effective workforce investment.²⁷ In the past, workforce efforts largely emphasized the development of skills and readiness of workers or job seekers in relative isolation. This approach proved ineffective in many respects because it did not fully take into account what employers needed to reduce turnover and increase productivity. Today’s workforce-investment strategies pay greater attention to both business and worker customers, recognizing that responding to employers’ definitions of readiness and skills is essential. Yet the closer attention we pay to satisfying the employer, the more workforce development has to serve workers who are more job-ready and skilled, potentially leading to “creaming,” which means less attention goes to those job seekers with greater needs.

Customization

It's important to recognize that workforce and education investments need to be customized to meet the needs of different populations. A common mistake is to adopt highly visible "silver bullet" programs that promise to solve the workforce problem. Behind the rhetoric of these programs, however, are major challenges related to readiness requirements like literacy and numeracy, a major drop-off between the number of those who apply and who actually enroll, and an additional drop-off in the number of those who complete training, enter the workforce, and retain jobs for the long term. To be sure, different population groups require different approaches to achieve the necessary mix of job readiness, basic skills, and technical skills.

Poverty

Addressing poverty is not accomplished solely through workforce development and education, but economic well-being is certainly a major component of that effort. And concentrated poverty produces additional effects on limiting opportunities and labor-market connections.²⁸ A matrix of factors contributes to poverty and perpetuates its effects on children, families and communities. Poverty and race are inextricably linked. Concerted, targeted efforts are needed in all places to reduce poverty and the related problems of community safety and deterioration.²⁹

Spatial Mismatches

Spatial mismatches between the location of people and jobs are a common problem facing metropolitan regions.³⁰ Business preferences and incentives, infrastructure investments in transportation and housing, and racial segregation have shaped this separation. Many strategies have been attempted to overcome the mismatch: housing mobility, improving access to cars and public transit, business incentives, and new public planning and investment protocols. While there has been lots of experimentation, these geographic mismatches remain. All the interventions are either expensive or run up against deeply entrenched interests and preferences. In the long run, we need to change the geographic configuration of people and business in regions. In the short run, shrinking cities have to assess the relative importance of spatial mismatches and what tactical interventions are feasible.

Migration

Migration is a natural contributor to healthy labor markets. People come, people go, and people stay put. In legacy cities, a lot of people have left, a lot of people

are staying, but not a lot of new people are coming. In the long run, this balance needs to be restored. One way to facilitate this is by adopting a broader regional approach to workforce development. Then there are specific strategies to attract migrants, a potentially dangerous, updated version of “smokestack chasing,” now focused on the “creative class,” footloose artists and new immigrants to the United States. Given the overall projected growth rate of the population, might shrinking cities offer new opportunities? Perhaps, but chasing immigrants might lead to ignoring better human-capital bets closer to home.

Building Economic Development and Workforce Development

Building a link between economic development and workforce development is now seen as a reasonable goal for most cities and states.³¹ Workforce issues have moved up the priority list for the business and economic development community, and all cities need a workforce with adequate and growing skills to be successful in the new economy. Yet workforce- and economic-development approaches are quite different and are not easily aligned.³² Economic development often focuses on short-run transactions or long-term infrastructure, while workforce and education focus on long-term skills acquisition and reforming systems. Mismatches between the two approaches are inevitable, particularly in key aspects such as timing, location, and the quality of jobs being created. At the same time, many see missed opportunities for tighter links between the two. They advocate for community-benefit agreements to ensure that jobs created by new infrastructure investments go to local residents.³³ Several points of intersection are promising. Sector- or industry-based strategies that identify sectors that will grow over the long term offer an opportunity to plan short- and long-term approaches for education and economic development, fostering business engagement in the process.³⁴ Market development for new industries, such as clean energy, offers real opportunities for linking economic and workforce development.

Changing Human Capital Systems

Changing human capital systems must complement and support promising practices and pilot programs.³⁵ And it is the only way to reach a major scale over the long term. These systems include those created through the Workforce Investment Act (WIA) and the Temporary Assistance for Needy Families (TANF) program, early childhood programs, adult education, K-12 education, and community colleges. Too often, human capital plans reflect a narrow interpretation of what is possible given legislative mandates. The focus should be on developing overarching system-change plans that are anchored in local assets, acknowledging the importance of these public resources and how they

can contribute and identifying new ways to align these systems to achieve overall human capital priorities. Additional resources will be needed to make progress on bold human capital agendas. A good place to start is to create regional systems or coalitions of agencies that pursue a similar set of human capital priorities.

Civic Capacity

Civic capacity is the ability of local leaders to produce social coalitions that can pursue long-term improvements in education and workforce development.³⁶ This is a challenge in the human-capital arena for several reasons. First, we have already called attention to institutional fragmentation, along with the challenges of defining problems, solutions, results, and measures of progress.³⁷ Second, human-capital institutions are frequently governed by what have been named “employment regimes,” inward-looking institutions more concerned about self-preservation than in creating “performance regimes” concerned with system changes and bold aspirations.³⁸ It is paramount that shrinking cities overcome these disincentives and obstacles to human-capital development. The “call to action” for shrinking cities may help local leaders come together, but progress on human capital has to be seen as a critical, long-term component of city and regional revitalization. Civic leadership has to promote community priority-setting and accountability for a set of important human-capital outcomes.

There is no one solution to any of these dilemmas that works for all shrinking cities. In fact, these dilemmas may look quite different in different contexts. But human-capital investment plans will certainly need to grapple with these dilemmas if cities are going to make sustainable improvements. A first step is to take an honest and thorough look at the functioning of local labor markets. A second step is to become active in a learning network of shrinking cities and study human-capital innovations around the country. A third step is to organize civic coalitions to get behind a human-capital agenda and set of results.

Closing Human Capital Gaps

Before we offer a sample of potential human capital investments for shrinking cities, we need to ask a basic question: What level of ambition, scale, and investment in human capital should shrinking cities embrace? We’ve seen that human-capital gaps in shrinking cities are quite dramatic. What should be the target for change?

We calculated a series of “closing the gap” estimates that project how much change would be required for shrinking cities to have similar human-capital rates for important indicators compared to their metropolitan areas or their states, such as employment or poverty. Comparison to metro areas is especially relevant because most of the metropolitan areas of shrinking cities have experienced only slow or modest growth.

Table 5: *Closing the Gap in Shrinking Cities*

	<i>Buffalo</i>	<i>Cleveland</i> *	<i>Detroit</i> *	<i>New Orleans</i>	<i>Pittsburgh</i>	<i>Rochester</i>
<i>High School Graduation</i>						
# of New H.S. Graduates Required ¹	849	N/A	N/A	6,754	12,705	1,312
% Population Change Required ²	0.50%	N/A	N/A	3.10%	6.09%	1.00%
5-Year Average ³	170	N/A	N/A	1,351	2,541	262
* <i>The percentage of high school graduates in the city is higher than in the MSA</i>						
<i>The Employment Gap</i>						
# of New Permanent Workers Required ¹	12,883	31,855	93,070	10,541	5,462	9,595
% Population Change Required ²	6.00%	9.32%	13.50%	3.96%	2.05%	5.92%
5-Year Average ³	2,577	6,371	18,614	2,108	1,092	1,919
<i>The Community College Gap</i>						
# of New Associates Degree Holders Required ¹	4,938	3,434	8,189	2,969	2,940	2,893
% Population Change Required ²	2.84%	1.21%	1.44%	1.36%	1.40%	2.25%
5-Year Average ³	988	687	1,638	594	588	579
<i>Reducing Poverty</i>						
# of Persons Lifted Out of Poverty Required ¹	41,000	72,875	174,065	24,650	30,998	34,944
% Population Change Required ²	-15%	-16.60%	-19%	-7.50%	-9.90%	-16.80%
5-Year Average ³	8,200	14,575	34,813	4,930	6,200	6,989

Notes:

1. The number of people needed to equalize the city rate for the indicator with that of the MSA ("The Gap")
2. The Gap that needs to be closed stated as a percentage
3. The annual change required if The Gap is to be closed over a five-year period

Table 5 provides closing-the-gap estimates for employment rates, high school diplomas, community college degrees, and poverty rates, and comparing them to data for metropolitan areas. These are not small gaps, even when spread over five years. For example, in Detroit, 93,000 more people need to be employed, more than 18,000 a year for each of five years. Another recent estimate showed that Detroit would need to add 75,000 jobs, when compared to the national average.³⁹

The gap in community college degrees demonstrates the major skill gap that has to be tackled for the new economy. Yet these cities and their surrounding regions (defined as the metropolitan statistical area, or MSA) are roughly comparable on a number of educational attainment measures. Finally, the poverty gap is substantial for all the cities when compared to their MSAs.

We would have to detail costs, availability of resources, and likelihood of success for each of these closing-the-gap estimates to understand their full implications. And there are multiple approaches to reaching these goals, including economic development, employment, and training and mobility strategies. In the workforce world, most cities have few resources devoted to skill training compared to the overall need—hundreds of individual training accounts rather than thousands. A similar gap exists for adult education and graduation rates for community colleges. On the other hand, increasing the number of working poor adults with children who file for the Earned Income Tax Credit is a relatively low-cost effort, brings in new regional income and is a proven approach to poverty alleviation.

Table 6: *4th Grade Reading Proficiency in Shrinking Cities*

	<i>Buffalo</i>	<i>Cleveland</i>	<i>Detroit</i>	<i>Pittsburgh</i>	<i>Rochester</i>
<i>4th Grade Reading Proficiency</i>					
Total Students, PreK-12	34,225	49,952	94,907	27,945	32,711
Total 4th Grade Students	2,447	3,537	6,915	1,983	2,365
# of Newly Proficient 4th Graders ¹	539	991	900	900	473
% Population Change Required ²	22%	28%	13%	16%	20%
5-Year Average ³	108	198	180	64	95

Notes:

1. The number of children needed to equalize the city rate for the indicator with that of the state
2. “The Gap” that needs to be closed as a percentage
3. The annual change required if the Gap is to be closed over a five-year period

Data sources: New America Foundation, Federal Education Budget Project (<http://febfp.newamerica.net/k12/la>),

U.S. Department of Education, National Center for Education Statistics (<http://nces.ed.gov/ccd>)

Table 6 provides closing-the-gap estimates for third-grade reading achievement by comparing results for children in shrinking cities to children statewide on state tests for fourth graders. Third-grade reading achievement is a good benchmark for school progress and is a predictor of future human-capital achievement.⁴⁰ As can

be seen, a significant achievement gap exists between shrinking cities and their states. Cleveland, for example, would need to have 991 more children, 28 percent of all fourth graders, improve their reading abilities to have the same rate of proficiency as does the state. Unless addressed, similar gaps will occur in each subsequent year, leading to even more underachievement. Boosting third grade reading begins before or at birth, involves parenting and quality early-childhood care, school readiness, transitioning to quality schools, and attention to the barriers that get in the way of regular attendance. It essentially involves building a “conveyor belt,” in the words of Geoffrey Canada of the Harlem Children’s Zone. Doing this at scale will require major system change and the reallocation of resources, as well as new resources.

Shrinking cities will need to set bold but achievable targets for human-capital investment. We have already identified the problem of working on too many fronts in the context of diminished opportunity, resources, and civic capacity. Cities will have to make careful choices about where to start and how to build out their interventions over time.

Examples of Human Capital Investment for Legacy Cities

A lot of promising examples exist to guide human-capital investments in shrinking cities, many of them homegrown in these cities or in other cities experiencing significant transitions. Not all the evidence is in about the overall effectiveness of these approaches, but we believe it is useful to offer a sense of the range of investment opportunities. We are not encouraging cities to dabble in a little bit of everything in order to further program proliferation, but we do believe that making a handful of solid investments that build on promising models is the way to go. We underscore the importance and interconnections among five strategies:

- Human Capital and Education Pipelines
- Human Capital and Hard-to-Employ Workers
- Human Capital and Economic Development
- Attracting and Connecting People and Jobs
- Human Capital Matching, Planning, and Investing

Human Capital and Education Pipelines

A key strategy is to build two-generation pipelines from early childhood to post-secondary college attainment. This approach could start with strengthening a cluster of schools or as individual programmatic interventions that then can be linked together, such as improving graduation rates from community college. It is the

continuum and the management of transitions, persistence, and graduation that will make the difference.

Talent Dividend. The Talent Dividend initiative is a regional effort to better prepare students for college and promote postsecondary educational attainment for all ages. The effort, part of a national one by CEOs for Cities, focuses on increasing college-readiness, college graduation rates, the rate of transfers from community colleges, and the degree completion rate for older adults.⁴¹

The Northeast Ohio Council on Higher Education coordinates the Talent Dividend program in Ohio with a steering committee of economic development organizations, businesses, and civic organizations. The program offers a continuum of supports, from dual learning opportunities for high school students taking college courses to increased social supports, college application preparation for families and increased supports for teachers.⁴²

The Strive Partnership. The Strive Partnership of Cincinnati operates as a pre-kindergarten to college pipeline, ensuring that children are ready for school, supported throughout their academic careers, and prepared for careers upon college graduation. The partnership is a coalition of early-childhood advocates, district superintendents, college and university presidents, community funders, business leaders, and service providers, all with a commitment to coordinated advocacy, aligning funding to meet shared goals, and data-driven decisions.

The Strive Partnership uses data to track its progress in addressing seven key areas to maximize students' academic success: kindergarten readiness, fourth grade reading proficiency, eighth grade math proficiency, high school graduation and ACT scores, postsecondary enrollment, and postsecondary completion. Strive partners report increased student achievement across three public school districts, including high school graduation rates, fourth-grade reading and math scores, and the number of preschool children prepared for kindergarten.⁴³

Strive is being replicated around the country and inspiring quite a bit of attention because of its results to date and because of its methodology for achieving "collective impact."⁴⁴ In Cincinnati, they are also attempting to apply this methodology to the fragmented, multisectoral workforce systems.

Austin Polytechnic Academy. This college- and career-prep high school focuses on skill development and credential acquisition as part of a larger sector-based development strategy in Chicago. In an effort to support workforce development, the Chicago Renaissance Manufacturing Council identified manufacturing as an industry poised for growth and is striving to strengthen the city's manufacturing base and address important human-capital needs identified by businesses.

The program delineates skill-building and job-training strategies by grade level. Freshman and sophomores at the academy are introduced to the technologies used in manufacturing and engineering professions and learn basic skills required for career development. Juniors and seniors shadow workers at local firms

and learn about the manufacturing business and various career paths. Students have the opportunity to earn nationally recognized credentials in metalworking, and they gain vital career experience through summer jobs and internships with the academy's partner companies. Students in the program have the opportunity to acquire industry-specific skills through a Manufacturing Technology Center, which features the same computerized, high-tech equipment used by modern manufacturers. The program's students continue to succeed in gaining National Institute for Metalworking Skills credentials, with 100 percent of students having passed their certification exam in 2010.⁴⁵

Kalamazoo Promise. Kalamazoo Promise is another example of an education pipeline developed to revitalize a city and encourage economic development through postsecondary educational attainment opportunities. Kalamazoo Promise provides full scholarships to any public college in Michigan for all graduates who received their elementary and secondary schooling in the Kalamazoo Public Schools.⁴⁶ To date, the initiative has paid \$21.3 million in tuition and fees.

Results are mixed for the program, according to an evaluation conducted by Western Michigan University. Enrollment in the Kalamazoo Public Schools has increased by 12 percent, and with 2,336 graduates eligible for the scholarship program, 82 percent have received funding and continued on to college. Retention is the biggest hurdle for the initiative, as about a third of the scholarship recipients were not in school for the winter 2010 semester.⁴⁷

Graduate! Philadelphia. This joint initiative of the Philadelphia Workforce Investment Board and the United Way of Southeastern Pennsylvania promotes learning opportunities for low-income working adults with some college experience by encouraging reenrollment, degree completion, and additional credentialing. The program partners with businesses, government agencies, postsecondary institutions, and service providers.

Philadelphia ranks 92nd among the one hundred largest U.S. cities in terms of college attainment among members of the workforce. At the same time, eighty thousand Philadelphians between the ages of twenty-five and forty-five have more than one year of college credit but no degree. In coordination with program advisers, Graduate! Philadelphia offers workshops for perspective students to help them assess goals, document previous credits, identify appropriate college programs, and apply for financial aid. The program also offers free academic counseling. As of January 2010, Graduate! Philadelphia had helped 470 adults re-enroll in college and had worked with 1,500 adults to help prepare them to enroll.⁴⁸

Human Capital and Hard-to-Employ Workers

While skill development and postsecondary certification are central to income growth and career development, many people have a difficult time attaching to

work in the first place. Employment data in shrinking cities confirm that this is a common challenge, which is frequently related to literacy and other barriers to work. A number of worthy approaches are tackling this challenge.

Towards Employment. This Cleveland program offers a dual approach to supporting hard-to-employ workers. By focusing on both job seekers and employers as customers, Towards Employment addresses the human-capital and workforce-development needs in Cleveland. Workshops provide training on resumes, applications, mock interviews, soft skills, and connections to credentialing programs. Career consultants facilitate career adaption and help job seekers re-connect with the job market.

Towards Employment partners with employers to bolster their existing workforce and provide on-the-job support through the Reach Project for those experiencing barriers that threaten continued employment. This program aims to provide on-the-job supports for career advancement and continued skill-building opportunities, while helping employers reduce employee turnover. Towards Employment helps workers obtain reliable transportation, child care, and necessary tools and uniforms. The legal staff resolves criminal warrants, child-support cases and credit issues and works to prevent evictions and foreclosures.⁴⁹ In a 2009 study of the Reach Project, two years after the start of the program, 67 percent of program participants obtained wage increases and 95 percent of participants who sought promotions received them.

Deconstruction. Transitional jobs supported by physical redevelopment are one way to create first steps for people re-entering the workforce. Deconstruction initiatives eliminate the blight of vacant properties, create jobs, and save money on building demolition. Frequently, these programs target the hard-to-employ workers and provide entry-level construction work as shrinking cities undertake physical improvements and come to grips with population losses through right-sizing efforts. It will be important to link these starter jobs with career development in construction over time.⁵⁰

Deconstruction involves dismantling buildings and salvaging material for reuse and recycling, reducing the disposal of material in landfills and providing low-cost materials for renovations. The average cost of demolition per house is six thousand dollars, which includes three thousand dollars in dumping fees. The average cost of deconstruction is twelve thousand dollars per house, but 80 percent of the materials in a home can be reused, recycled, or sold.⁵¹

The city of Saginaw, north of Detroit, partnered with Habitat for Humanity to create a deconstruction business to deconstruct homes, using a combination of state and city funds. In 2007 the city had at least one thousand abandoned houses. The city is working to hire and train workers identified through the city's homeless shelters and the state's prisoner-reentry initiative.⁵²

Deconstruction jobs will not necessarily turn into a self-supporting business or industry, given the weak demand for housing in shrinking cities. They do, however, represent a way to create jobs as the physical environment of these cities is reconfigured.

Alternative Staffing Organizations. These organizations provide a sheltered way for workers and employers to get to know one another. This is especially important for workers who are new or returning to the labor force and are addressing employment barriers. The staffing organization takes the risk and agrees to address workplace problems. Alternative-staffing initiatives play a vital workforce development role in areas where many job seekers have skill gaps and low levels of educational attainment.

The Gulf Coast Alternative Staffing Initiative combines the business model of a staffing firm with the social mission of workforce development. The initiative develops employment connections by matching the current needs and existing opportunities of business with area job seekers. It promotes and expands employment opportunities for individuals with barriers to employment by providing job-training opportunities and workforce-readiness support. What sets the initiative apart from most workforce-development programs is the variety of fee-based services it provides for employers, including job placement, applicant screening, and orientation and training for selected applicants.

Gulf Coast Alternative Staffing is a start-up, making it difficult to assess results. Emerge Staffing of Minneapolis, a more mature alternative-staffing organization, gives a sense of the potential of this kind of intervention. It serves mostly people with multiple barriers to employment, including many who have a criminal record, no high school diploma, or are homeless. Data shows that Emerge's clients are more likely to be placed in jobs with higher hourly wages and more days of work, with a third of all placements leading to permanent jobs.⁵³

Human Capital and Economic Development

Linking economic development and the development of human capital can be difficult. A good way to do it is to build connections through investments related to place-based assets like anchor institutions, large and growing industry sectors, or physical redevelopment projects. There are likely to be public policy levers connected to these kinds of projects that can help forge workforce- and economic-development alignment. We cite a few examples here.

Evergreen Cooperative. Evergreen Cooperative of Cleveland combines job creation and wealth building by leveraging the economic strength of the city's anchor institutions. Evergreen is a partnership between neighborhood residents and key anchor institutions: the Cleveland Foundation, the city of Cleveland, Case Western Reserve University, the Cleveland Clinic, and University Hospitals. Ever-

green starts employee-owned businesses, with three businesses launched as of early 2011: Evergreen Cooperative Laundry, Ohio Cooperative Solar, and Green City Growers Cooperative.

Three of the city's biggest anchors—the Cleveland Clinic, University Hospitals and Case Western Reserve University—annually procure more than three billion dollars in goods and services. The focus of the cooperative is to partner with these anchor institutions to identify local purchasing opportunities that could catalyze a network of local businesses that hire their workforces directly from the neighborhoods.⁵⁴

The Cleveland Foundation estimates that the project will eventually result in ten new business start-ups, the creation of five hundred jobs in five years, thirty million dollars in additional loans and tax credits and asset accumulation of up to \$65,000 per employee.⁵⁵

Evergreen Cooperative Laundry, which was launched in July 2009, has secured \$5.8 million in public-private financing and expects to clean more than ten million pounds of bed linens annually and create fifty new jobs in the community.

Ohio Cooperative Solar performs large-scale installations of solar panels on the roofs of the city's biggest nonprofit and public institutions, including the Cleveland Clinic. This cooperative also will perform weatherization services for households in Cleveland. It will eventually employ about fifty workers.

Green City Growers Cooperative will be a year-round, large-scale food production hydroponic greenhouse on fourteen acres in the heart of Cleveland, with five acres under glass. It will produce several million heads of lettuce per year, along with herbs and other crops. The greenhouse will employ fifty local residents.

BioTechnical Institute of Maryland, Inc. The BioTechnical Institute of Maryland, Inc., located in Baltimore, is capitalizing on the strength of a major anchor institution, Johns Hopkins Hospital and University, and the development of an emerging bioscience industry that demands skilled laboratory assistants, an employment opportunity within reach of many neighborhood residents.

Founded in 1998, the institute partners with public and private social services agencies, workforce-training providers, and schools. Recognizing an opportunity between the unfulfilled workforce needs of Johns Hopkins and the needs of the local unemployed and underemployed workers in low-wage jobs, the program seeks to fill the workforce and human-capital needs in East Baltimore. The initiative provides free training to qualified adult high school graduates who are unemployed or underemployed to help them become entry-level lab technicians. It is a good example of a sector-based workforce partnership (or intermediary) that knits together the partners and resources for career advancement.⁵⁶

In 2006, the organization created BioStart, a twelve-week pre-training “bridge program” to help students build their math and reading skills while learning jobs skills. Upon completion, students begin a nine-week laboratory assistance

program and students earn one hundred internship hours, which often lead to permanent jobs.

The program reports that its graduates have achieved an 80 percent job-retention rate, with 75 percent of graduates placed in jobs within three months of program completion and earning an increase of \$6,600 in their first year after graduating.

Attracting and Connecting People and Jobs

The geographic separation of people and jobs is a particular challenge for shrinking cities and their residents in both metropolitan areas and multistate regions. A related challenge exists in terms of attracting new talent and helping existing residents move to job-rich regions. There are no simple ways to overcome these spatial mismatches and restore the balance of in- and out-migration. Yet, it must be a priority. A few examples of how this may happen are shown here.

Vehicles for Change. Vehicles for Change is a low-income car-ownership program that helps adults overcome transportation barriers to employment. The program operates in Maryland and the District of Columbia and works with social service agencies to identify and screen customers who meet income and employment requirements. Customers buy cars for seven hundred dollars with a loan from the program. Since the program began in 1999, it has matched customers with three thousand cars.

The University of Virginia evaluated the impact of Vehicles for Change as part of a study to address major barriers to employment for Virginia's TANF population. The authors recommended expanding the program as a TANF-funded program in Virginia as a low-cost way to strengthen workforce connections for the hard-to-employ workers. Seventy-three percent of its customers reported obtaining better jobs or promotions resulting in an average salary increase of \$4,500.⁵⁷

Attracting Immigrants. As shrinking cities experience increasing levels of out-migration, many have turned toward attracting immigrants as a means of counterbalancing population decline and jump starting economic development and business creation. Cities are employing a variety of strategies to attract immigrants, such as building welcome centers, connecting prospective immigrants with ethnic enclaves, and providing multilingual city web sites and employees. Unfortunately, few comprehensive strategies have gotten off the ground.

Global Detroit is a part of the larger economic-development effort under the New Economy Initiative in Detroit. The leaders of Global Detroit are working to increase immigration and the ethnic diversity of Detroit to better position the city to take advantage of economic-development opportunities.⁵⁸

A study by Global Detroit found that immigrants in southeast Michigan are more likely to possess a college degree than the nonimmigrant population (37

percent compared to 23.7 percent) and are more likely to obtain degrees in science, technology, engineering, and mathematics.⁵⁹ In Michigan, immigrants were nearly three times as likely as native-born residents to start a business between 1996 and 2007, and 35 percent of the international patent applications in 2006 had an immigrant as a key inventor.⁶⁰

In an effort to increase immigration to Detroit, the initiative is developing a range of services and incentives to attract immigrants, including creating a welcome center, streamlining the visa process, and developing an attraction and retention program for Michigan colleges.

In Pittsburgh, the philanthropic community is taking a lead role in exploring and encouraging the connection between immigration and economic development. The Heinz Endowments awarded nonprofit organizations \$800,000 in May 2010 to attract immigrants to the city, to encourage foreign students to remain in the area upon degree completion, and to teach the community about international diversity. Through these investments and city-led efforts to attract immigrants with jobs, affordable housing, and ethnic enclaves, Pittsburgh hopes to achieve the success of larger metropolitan areas and the economic growth that accompanies increased immigration.⁶¹

Finally, planning for an international welcome center in Cleveland began in 2010 after a report on the contributions of immigrants to the regional economy and civic life. The report identified promising components for the welcome center from around the country.⁶²

Human Capital Matching, Planning, and Investing

Organizing the workforce and education systems on a regional basis is important in developing coordinated strategies, aligning human-capital investments, engaging with employers, linking economic and workforce development, and advocating for appropriate local, state, and federal investments. Many programs around the country that provide examples of how to craft regional coalitions and link workforce and economic development, including the Department of Labor's Workforce Innovations in Regional Economic Development (WIRED) initiative and the new federal Sustainable Communities program.

Cleveland's Workforce Investment Board. Cleveland's Workforce Investment Board pivoted in 2008 from facilitating employment connections to a greater emphasis on serving employers. The board focuses on matching and placing job seekers with potential employers, retaining successful job placements, and improving business productivity and competitiveness through existing worker skill development. This change followed a thorough review that showed that in previous years the agency has spent 80 percent of its budget on job seekers and 10 percent on employers. This resulted in a large network of training providers and social service

agencies with a cadre of job seekers who completed job-training programs, only to remain unemployed.

Along with a new emphasis on working with business, the agency is expanding its scope to increase access to state and federal funds for job training. It will also advocate for broader workforce issues, including support for postsecondary education, addressing workers' transportation barriers, attracting business, and building partnerships with philanthropic institutions.

In six months of operation in this new role, the Workforce Investment Board has facilitated forty-two hundred interviews for job seekers and placed fourteen hundred job seekers, as compared to fifteen hundred placed in all of 2009. The agency has made connections to three thousand employers.⁶³

East Baltimore's Economic Inclusion Policies. Baltimore provides a prime example of a local development initiative supporting physical revitalization projects with a strong human-capital component. The East Baltimore Revitalization Initiative, launched in 2001, is working to transform a distressed neighborhood, relocate several hundred households, and develop eighty-eight acres for life sciences and biotechnology research facilities, retail development, recreational space, and mixed-income housing.⁶⁴

In 2002, East Baltimore Development, Inc., the nonprofit entity leading the project, developed an economic-inclusion policy to provide residents with job opportunities and local, minority-, and women-owned businesses an opportunity to contract for some of the work. The policy requires that contractors first offer hiring opportunities to East Baltimore residents, with an emphasis on job seekers displaced by the EBDI project. Under the policy, contractors must use local residents for 15 percent of commercial construction hours and 20 percent of residential construction hours.⁶⁵

In 2007, EBDI expanded the program to create a dual-purpose workforce development pipeline that provides support to both job seekers and employers.⁶⁶ Working with the Mayor's Office of Economic Development, the first pathway connects job seekers with training, career counseling, and case management. The second pathway assists employers in meeting local hiring requirements, identifying job-training needs, enrolling job seekers in customized training programs, and offering job-placement services.

Since the workforce development pipeline was initiated, 632 residents have registered and 234 residents have been placed in jobs, with an 84 percent retention rate.⁶⁷ As of October 2010, the East Baltimore project has employed 1,715 workers, with 39 percent hired from Baltimore, including 15 percent from East Baltimore.⁶⁸

A similar policy has been adopted in Camden, New Jersey, which demonstrates how smaller, shrinking cities can adopt economic inclusion policies as part

of human capital development. In the city's 2002 Master Plan, a human-capital policy was outlined, containing a "Camden First" hiring requirement on all publicly funded projects. All city loan and contract documents include incentives and requirements to recruit from a qualified pool of city residents. This public contract requirement extends to municipal contractors by requiring them first to do business with neighborhood-based firms that can provide products and services relevant to a project activity.⁶⁹

The New Economy Initiative. The New Economy Initiative (NEI) for Southeast Michigan, launched in 2008, is a unique philanthropic initiative aimed at revitalizing the regional economy. Ten national and local foundations have committed \$100 million to this eight-year initiative to spur metro Detroit's innovation-based economy.

NEI's workforce investments support sector- or industry-based training by capitalizing on Detroit's extensive philanthropic assets and the basic skills and technical skills of the existing workforce. The initiative builds on Detroit's overall workforce focus in four sectors: advanced manufacturing, alternative energy, defense and homeland security, and transportation distribution and logistics. A sector-focused approach in health care is under development.

The initiative focuses on improving regional coordination and effectiveness of the workforce system by strengthening the links between workforce development, education, and economic development and through collaborative strategies that respond to the increasingly complex needs of both workers and employers. NEI recently awarded three million dollars in grant funding to support the Business Accelerator Network—a region-wide collaborative effort comprised of Ann Arbor SPARK, Automation Alley, Macomb-OU INCubator, and TechTown—to further focus on attracting and retaining businesses in the region. This new regional network will share best practices, sponsor events focused on addressing issues and goals that impact southeast Michigan, support business plan development, and leverage funding to grow business in the region. NEI will focus on leveraging the significant success of these organizations and bringing their work to scale. These four business accelerators have invested in 339 start-up companies, creating more than one thousand new jobs for the region.⁷⁰

NEO@Work. NEO@Work is a talent-development initiative started in 2003 by the Fund for Our Economic Future, to align the economic-development efforts of a sixteen-county region in Northeast Ohio. The Fund is a partnership of private, public, civic, and philanthropic leaders and invests in business creation, business attraction, and workforce development.

NEO@Work has three components. The first is a network of innovators in the workforce and education arena with new ways of developing talent and skills for the twenty-first century. The second component is a complementary seed financing fund that supports, replicates, and expands promising talent innovations

with capital and technical and management assistance. The third component is a public policy and public will agenda that seeks to build civic and policy support for enhancing northeast Ohio's talent and skill development.

NEO@Work plans to invest and leverage \$4.5 million in philanthropic resources in at least twelve initiatives over its first three years that will result in raising the skills of ten thousand people and assembling a network of talent innovators.⁷¹ NEO@Work received federal Social Innovation Fund resources for these promising efforts.

Scaling Human Capital Investments

Small, effective programs are insufficient to close the dramatic human-capital gap faced by many shrinking cities. In fact, program proliferation may itself contribute to the diffusion of civic energy and impact, a particular problem in a time of diminishing resources. Yet there is no single investment that will solve the human-capital problem for shrinking cities. More financial resources are part of the answer, but we focus here on several other key approaches to scale.

A first approach is for communities to be as clear as possible about the highest-priority results they want to achieve and where they believe the big payoffs will be both for the short and long term, whether its high school graduation and transition to postsecondary, attracting new workers or increasing the skills of the existing workforce.

A second approach is then to build better systems, not more programs. Shrinking cities have to make sure that existing resources are deployed in the most effective manner. Inside-outside coalitions of stakeholders dedicated to achieving specific results is a promising approach to achieving "collective impact," in which the contributions of many are knitted together and made accountable for specific results. This approach requires ongoing performance management.

A third approach is to integrate human-capital investments by industry. For example, if health care is a major local industry, a city might want to have a health-care track in schools, programs to increase incumbent workers' skills and career opportunities, community college industry-wide training for in-demand positions, certification programs for immigrant health-care workers, and employment linkage with health-care purchasing.

A final approach is to work with the best, most effective programs to scale up and build on their success. Scale will have to be defined carefully for each of the efforts. Investments will have to pay attention to organizational infrastructure and capacity at the same time that programs are expanded.

Thinking about scale can be paralyzing in this environment. The big challenge for every community is to align its public, private, and philanthropic resources to support common results and the most effective interventions to achieve these results.

Human Capital Policy Supports For Legacy Cities

Improving workforce skills and attracting new skilled workers will require that shrinking cities do more than operate good programs and redirect existing resources. These cities will also need a robust policy agenda that supports human-capital development and makes it a part of overall economic revitalization. Fleshing out a policy agenda of this kind is beyond the scope of this chapter, but we have identified key components:

- Create incentives and bonuses for P to 16 educational institutions to innovate, to create better student transitions, persistence, and competencies, and ultimately to produce more graduates.
- Create pools of public, private, and philanthropic resources to underwrite child savings accounts, college tuition, and vocation-retraining funds for low-income residents.
- Align and focus infrastructure investments to create anchors for economic and human-capital development.
- Ensure that all major public investments are linked to economic-inclusion policies that guarantee jobs for residents, invest in career pathways, and support local business development.
- Set poverty-reduction targets for shrinking cities and create opportunities to integrate existing resources into poverty-reduction interventions.
- Create incentives for regional coordination, planning, and implementation of joint workforce and economic-development efforts.
- Support strong sector-based economic- and workforce-development investments and partnerships that build on the competitive strengths of shrinking cities.
- Craft more attractive business incentives for upgrading the skills of existing workers and supporting the skill development of new workers.
- Create a new generation of enterprise zones for shrinking cities that supports the development of new industries and markets and the human-capital needed for them.
- Develop a package of mobility incentives that assist low-income, low-skilled residents of shrinking cities to relocate to more job-rich regions.

Conclusion and Challenges Ahead

Our answer to the primary question posed by this chapter is that shrinking cities indeed face some distinctive human-capital challenges. At the top of the list is the overall loss of jobs and population. But the demographics, skills, and geographic dispersion of people and jobs complicate human-capital development. And many

shrinking cities have also experienced a decline in the civic and institutional bonds and capacities that support the innovative responses that are needed for these cities to adapt to changed economic circumstances.

This chapter has sought to clarify the human-capital challenges faced by shrinking cities and to identify effective responses and investments. Acknowledging likely employment mismatches, capacity requirements, and strategic and policy tradeoffs has underscored the need for shrinking cities to avoid becoming captive to fashionable program ideas or just continuing to embrace the old way of doing business. Shrinking cities face great pressure to work on many fronts at once, but at the same time they have less room to get things wrong. Most important, shrinking cities need a cadre of business and community leaders that will fight for the right kinds of human-capital investments for both the short and long term.

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