

GROWTH WITH EQUITY

Research Reports Detail Best CED Practice in U.S.A.

Editors note: This article is based on some recent U.S. research focused on best practice. It complements many of the findings of similar Canadian research. Most important, it articulates the basic program support strategies required to speed the diffusion of best practice and broaden the base of efforts to alleviate poverty. Their recommendations also mirror many of the recommendations at which recent Canadian research has arrived.

“In the modern era we cannot segregate poverty alleviation from growth and competitiveness. First and foremost, we carry the moral responsibility to ameliorate the worst record on poverty alleviation in the industrialized world, but also we cannot hope to be competitive in the global economy while the very groups in our society on whom future productivity gains depend become increasingly marginalized into a permanent underclass.”

So begins the executive summary of a challenging and exciting research report emanating from the Maryland-based Aspen Institute. Entitled *From the Bottom Up: Toward a Strategy for Income and Employment Generation Among the Disadvantaged*, it examines best practices in the U.S. and identifies key policy issues in the development of a strategy which can accelerate expansion of best practice nationally. (It acts as a summary and analysis of its much more lengthy companion, *From the Bottom Up: A Collection of Program Pro-*

files.) This article abridges this report in order to encourage practitioners and policy-makers alike to obtain the original and review its hopeful and challenging findings. (The shaded boxes which accompany this article provide just a small portion of the examples cited in the research report.)

“Clearly, success in alleviating poverty on a national scale must entail proactive policy measures to promote sustainable job growth and to address the discrimination and inequities affecting the unemployed and the poor. But given the increasing social and economic isolation of the unemployed and the poor, *direct program interventions must form the cornerstones of any strategy to pull economically disadvantaged citizens into the mainstream economy.* Although national attention to, and support for, these interventions has seriously declined over the past decade, a growing number of programs and institutions have developed at local levels to promote employment and income generation among the unemployed and the poor.”

Existing local initiatives covered in the Institute’s research fall into four general categories: self employment; job training and placement; job creation and retention; and community-based finance.

To add further clarity as to what seems to work for whom, the researchers also matched specific intervention strategies against five distinct “categories of poor” (too commonly lumped together under the rubric of “economi-

Focus: HOPE Addresses Inner City Youth

Focus: HOPE demonstrates the heights to which a community advocacy organization can aspire. Originating in 1968 as a civil rights organization, Focus:HOPE has evolved into a multi-faceted training and enterprise development organization in Detroit’s inner city.

Local youth (18-20 years old) begin training through FAST Track, an accelerated 8-week computer-based training program that upgrades quantitative and reading skills to the level (Grade 10) necessary for industrial training. Trainees are treated with dignity and respect, but are subject to high expectations. Training is ten hours per day and run by an ex-military drill instructor; three “points” leads to dismissal and being one minute late earns one point.

Roughly 80 percent of the 1,200 trainees taken in per year finish FAST Track and can either be referred to jobs (employment is guaranteed for graduates) or enter Focus: HOPES’ Machinist Training Institute (MTI). This 32-week course covers all basic machinist skills, including, at later stages, computer-based machining. MTI’s graduates are in high demand with local machine industries, but are referred only to shops with Computer Assisted Design (CAD) capability. After one work year, students can re-enter the CAD course—38 weeks of applied math, blueprint reading, and computer work.

Focus: HOPE’s expertise in modern machinist training has led to the creation of the \$50 million Center for Advanced Technology (CAT). The CAT combines a 6-year course in advanced flexible manufacturing with the operation of a national center for state-of-the-art manufacturing technology. The cutting-edge equipment at the center is all run by inner-city graduates of the MTI who are now in the advanced training.

Training that Pays

Milwaukee's Esperanza Unida is a training centre run as a set of businesses which provide contract and direct service work in the marketplace. The contract and service work provides competency-based training linked to markets while financing the training itself.

Esperanza Unida was initiated in 1985 by Rich Oulihan, a community organizer. The organization runs training/business units in construction/renovation, auto repair, autobody work, woodwork, asbestos removal and daycare. Currently over 100 people turn over as trainees per year. They are

mainly African American and Latin low-income workers or welfare recipients. The organization covers roughly 70% of its operating costs, the balance being covered by a combination of municipal and foundation funding.

At the intermediary level, SEEDCO, a CDC-support organization in New York, is trying to replicate Esperanza Unida's success through the Partnerships for Self-Sufficiency Program. SEEDCO is providing finance and training to inner-city community organizations in a variety of cities to develop training enterprises based on local market conditions and sector assessments.

Industrial Retention— Keeping the Jobs at Home

Industrial Retention strategies generally try to retain manufacturing jobs by identifying industries which are operating profitably, but nonetheless are likely to shut down. Resources are then mobilized to combat this problem, by finding a successor for a retiring owner, for example, or by invoking government powers to prevent a corporate raider from liquidating the assets. In Chicago, which lost 135,000 manufacturing jobs in the 1980s, the crisis led to innovative action in CED, innovation which has been since picked up by southwest Montreal's CDC, RÉSO.

Chicago Focus, a for-profit firm started by the nonprofit Midwest Center for Labor Research (MCLR), offers a whole range of services related to mergers and acquisitions. The firm works with both buyers and sellers of manufacturing establishments and will assist in securing financing for an acquisition. Chicago Focus also assists companies with the negotiations involved in a change of ownership and provides a whole range of consulting services to the new firms.

Through leads from MCLR staff, trade associations, unions, local governments, community development corporations, and others interested in a stable economic environment, Chicago Focus identifies plants at risk of closing and then seeks buyers who are committed to keeping production local. These buy-outs often offer opportunities for worker ownership or for ownership by minority or female entrepreneurs. Since it began operations in 1989, Chicago Focus, together with MCLR, has arranged the local buy-out of several small manufacturing firms in the Chicago area.

cally disadvantaged"). These groups are the working poor, the unemployed, the persistently unemployed, the dependent poor, and the indigent.

Findings

The findings to date have been encouraging. *"Dramatically impressive model programs can be found across the spectrum of intervention strategies, and collectively these programs serve all levels of clients, from the homeless up to the temporarily unemployed."* Having survived the cutbacks of the 1980s, the best of today's programs are "leaner and meaner" models that collectively represent a new paradigm in development thinking. That is, they:

1. serve as empowerment vehicles by devolving responsibility for performance to clients while creating an atmosphere of dignity, discipline and high expectation.
2. link poverty alleviation directly to broader economic development goals rather than viewing it as an end in itself.
3. pursue market-based strategies, often sector specific, that exploit market niches for clients.
4. seek to become sustainable elements of the local economy itself (often by becoming an enterprise), not simply third-party assistance entities.

In fact, these efforts stretch the boundaries of the conventional term "program." They have evolved more into what should be termed "development systems" for the unemployed and the poor.

Most successful programs arise out of the local context, rather than top-down replication strategies, and develop through independent, usually nonprofit entities that become very specialized in what they do. They are bureaucracies, and normally not mainstream CDCs or Community Action Agencies. They are led by "social entrepreneurs," most often local leaders who combine social vision and political acumen with the tenacity and business management skills needed to perform in a very difficult time and arena. These professionals are in short supply.

Even with these institutional and leadership qualities, it still takes years of testing and struggling for programs to mature. Very few programs evolve as initially planned, and virtually all of the better programs encountered have received flexible, patient financial support, primarily from thoughtful foundations and the local public and private sectors. Most programs grow out of years of outreach, organizing, and promotional work by local organizations and have received appropriate training and/or technical advice when needed through intermediaries. *Getting the right assistance at the right time is critical to sound program development.*

Chicago Commons Industrial Training Program

This program was begun in 1984 by Rick Gudell, a scientist and community organizer who contacted local machining industries and discovered significant labour shortages for skilled workers. After failing to convince public vocational schools to adopt competency-based training with direct links to industry, Gudell undertook six months of training himself in metalwork shops. He then formed a network of interested industries to help design curriculum, recruit trainers, donate used equipment, and form a job referral network.

Today the program turns out roughly 300 inner-city young adults, mainly males, with training in screw machines, spring machines, plastics blowing, mechanical maintenance, and industrial inspection. Over 90 percent of graduates are placed in jobs with starting salaries averaging \$7.50/hour and the potential for substantial wage improvement. The network of co-operating industries includes over 400 firms, and through the network these firms have donated over \$2 million in equipment. Training is highly disciplined, with mandatory drug testing. Federal funds cover much of the costs for training.

To protect the job market for trainees, the center has informally promoted networking among local industries to determine future directions in the face of foreign competition and changes in the market place. This has now led to the creation of the Chicago Manufacturing Institute (also headed by Gudell), which will define future industry needs in labour, technology, and market development and spur innovation through, for example, a lending library of specialized tools and equipment.

The Health Care Sector—Achieving Multiple Bottom Lines

Cooperative Home Care Associates (CHCA) is a worker-owned home health care agency in New York's South Bronx, created as a project of the Community Services Society (CSS). CHCA trains individuals as home health care paraprofessionals and subcontracts with certified home health care agencies for the provision of home care services. Generally, this involves sending employees to care for Medicare or Medicaid patients convalescing at home.

In choosing to start a community enterprise, staff at CSS targeted the health care industry because of its long-term growth prospects. Under the leadership of Rick Sur-

pin, who was originally with CSS and has been with CHCA since its inception, CHCA has directly provided jobs to about 300 low-income, primarily minority women, the majority of whom were AFDC recipients. It has become a profitable enterprise, able to pay its worker/owners year-end bonuses of between \$250 and \$500.

With its participatory management practices, CHCA creates a supportive and empowering work environment which balances sensitivity to the needs of the employees with demands for excellence in job performance. Through its advocacy role in the health care sector, CHCA has also succeeded in raising minimum salaries for home health care under Medicare in New York City. This could not have been achieved without CHCA being seen as a legitimate player in the health care industry.

PROGRAM SUPPORT STRATEGIES

There is much in the experience of current programs to inform strategic thinking. First, while any number of local programs are worth replicating, *there is no singular approach that can sufficiently address the diversity in both clientele and context*. Second, given the thin coverage of programs nationally, any structural attempt at poverty alleviation must entail not only dissemination and replication of best practice, but also basic program and institutional development, including staff training and leadership development. Basic capacity-building will be critical in any national attempt to broaden the base for poverty alleviation.

An effective and sustainable strategy for poverty alleviation should now be undertaken nationally. It must combine the resources of the public, private, and philanthropic sectors. Assistance given to expand and strengthen the support base nationally must be *decentralized in structure and responsive to local situations and institutions*. At the same time, there must be a strong proactive element to:

1. accelerate dissemination and learning on best practice to avoid "reinventing the wheel" in hundreds of

local situations. In particular, this element must broadly promote the market- and sector-based planning and intervention strategies that are proving successful in so many programs.

2. support the appropriate replication of the methods of model programs (including exchanges and interchanges with leading practitioners).
3. support continued innovation and learning in program areas with less successful track records of employment and enterprise development (e.g., micro-enterprise development, community-based finance, training enterprises).
4. integrate financial support for local institutions with training and technical assistance, especially for smaller and/or newer programs in disadvantaged communities and regions lacking an institutional base. This must include leadership training.

As history demonstrates, the federal government must lead the way if structural impact on poverty is to be achieved, and the time is right to do so. Unlike former eras, however, the federal government might best act as the *catalyst* and *facilitator* for a re-established, longer-term employment and enterprise development strategy for disadvantaged

citizens, but not its chief implementor. The government is best positioned

- to place the issue of poverty alleviation squarely within our emerging national economic priorities.
- to establish goals and co-ordination strategies.
- to gain congressional and public support.
- to provide seed capital to mobilize action.

Given our currently diminished capacity to broadly promote state-of-the-art interventions, initial outlays should be modest, with a heavy concentration on capacity building. Investments from private, public, and philanthropic sectors should increase over time as absorptive capacity grows.

In meeting all these concerns, the most appropriate strategy may be to *de-centralize* decision-making, planning and finance to regional levels.

This could involve the creation of regional entities (institutes perhaps), governed through representation of the federal, state, and local government, phi-

lanthropy, industry, and communities, with specialized staffs for training and program development and flexible financing authority.

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A regional approach would avoid the central bureaucratic tendency to focus on a limited number of centrally-driven strategies. Instead, there would be more flexibility and innovation in developing local-and region- specific approaches to poverty alleviation. Such an approach could also address serious regional imbalances in community-based efforts and in institutions promoting improved

employment opportunities for the disadvantaged.

Finally, all entities involved in financing and supporting employment-based poverty alleviation efforts must realize there is no "quick fix." As noted, most successful programs take years to develop the ability to have significant impact and to reduce or eliminate the need for grants or other soft monies. These efforts offer great hope for bringing a larger percentage of our population into the productive workforce, improving our economic viability and relieving some of our social problems, but a *long-term, sustained commitment must be made in order for poverty alleviation efforts to have an enduring impact.*

Copies of From the Bottom Up: Toward a Strategy for Income and Employment Generation Among the Disadvantaged are available from the Aspen Institute at a cost of \$3.50 (U.S.). Its companion, From the Bottom Up: A Collection of Program Profiles, is also available at a cost of \$11 (U.S.). Shipping is additional for international orders. Fax the Aspen Institute Publications Department at (410) 827-9174

Flexible Manufacturing Networks: A New Mode of Development

Flexible Manufacturing Networks (FMNs) are a very new mode of development being tried in the U.S. Based on European models, these joint and/or co-operative production and marketing networks are mainly being established on a pilot basis to strengthen the competitiveness of small-to-medium sized enterprises in specific market niches, and thereby enhance quality job development for the longer term. FMNs are also seen as a means to address economic development prospects in rural areas and in improving urban/rural links.

FMNs in the US come in a variety of forms. Some involve firms in different phases of the production cycle collaborate to produce a finished product or line of products. Others include firms that produce similar products, but improve their capacity by sharing resources and by jointly solving common problems. Generally these initiatives aim to improve the competitiveness of a particular region.

It is not known to what extent strategies like the FMN can directly address the needs of more isolated, poor populations. Networks operating in areas with large low-income populations generally will involve disadvantaged populations in some capacity.

The Appalachian Center for Economic Networks (ACEnet) is forming FMNs in the Appalachian region of southeastern Ohio in order

to 1) assist in the development of higher wage jobs for the area, 2) gain efficiencies in production and marketing among small firms with excess capacity, and 3) improve the areas's industrial base.

Rather than organizing firms within a specific industrial sector, ACEnet focuses on vertical linkages, with different specialized firms in a network contributing to different stages in the production process or producing complementary products. Their first network, consisting of 30 firms in the areas of woodwork, engineering, office and furnishings design, metalwork, and electrical work, is producing custom-built "accessible" cabinets and furnishings.

ACEnet is committed to providing employment opportunities to people who have been left out of the economic mainstream. It is the process of organizing a worker training program which will offer flexible on-the-job training in network firms to provide their target beneficiaries with the skills they need to participate in a network.

ACEnet has also established a for-profit subsidiary firm, Accessible Designs* Adjustable Systems (AD*AS), to act as a lead firm, co-ordinating production among firms and finding contracts for the firms to fill. The subsidiary also does some of the final assembly work in manufacturing the product. In performing this function, AD*AS should provide opportunities for non-traditional workers to gain experience and to increase their chances of being hired by another FMN firm.