Investing in America’s Workforce

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Purpose and Agenda

• Federal Reserve Community Development Workforce Development and Investing in America’s Workforce Initiative
• Connect Workforce Development to Black Communities, CRA and the U.S. banking system
• Create opportunities for collaboration and coordination between Black Communities, workforce development practitioners and banks
The Federal Reserve’s Community Development Function

[Map of the United States with various cities marked, including San Francisco, Kansas City, St. Louis, Chicago, Minneapolis, Cleveland, New York, Philadelphia, Washington, DC, Richmond, Atlanta, and Dallas.]
Mission and Focus

• Mission
  o To support the Federal Reserve System’s economic growth objectives by promoting community and economic development and fair and impartial access to credit
• Areas of focus
• Frame the Conversation in Communities
The Workforce Development System

• Workforce Innovation and Opportunity Act*:
  o Legislation to strengthen and improve our nation’s public workforce system and help get Americans, including youth and those with significant barriers to employment, into high-quality jobs and careers and help employers hire and retain skilled workers (July 2014)
    ✓ State-level and regional planning
    ✓ Disadvantaged-population focus
    ✓ Partnership and relationship building
    ✓ Data and performance metrics
    ✓ Innovation

• Proposed Levels for Key Federal Workforce Programs (Sept. 2017)**

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<th>FY 2017 Omnibus</th>
<th>FY 2018 Presidential</th>
<th>FY 2018 House</th>
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Source* : https://www.doleta.gov/wioa/
Investing in America’s Workforce

• Federal Reserve System Collaboration began in 2016
  o John J. Heldrich Center for Workforce Development
  o Ray Marshall Center for the Study of Human Resources
  o W.E. Upjohn Institute for Employment Research
• Explore regional aspects of improving workforce outcomes and investments (Research)
• National Conference, October 2017
• Book Launch
  Targeted outreach: bankers, examiners, practitioners, government officials, academics, others
Investing in America’s Workforce Initiative

Current Investments in America’s Workforce

Despite strong need, funding for workforce development has declined over recent years.

Pell Grants and federal student loans authorized through the Higher Education Act have become the dominant source of funding for workforce training and preparation. These funding sources further shift the decision-making power of which types of occupational training receive funding.

Employer Training
Employers spend significant amounts on training annually.

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1 National Skills Coalition, “Federal Funding for Key Job Training, Career and Technical Education, and Employment Programs”; 2 Stuart Andress, “Financing Workforce Development in a Devolutionary Era”; 3 Carnevale, Strohi, and Bajich, “College is Just the Beginning: Employer’s Role in the $1.1 Trillion Postsecondary Education and Training System”

www.investinwork.org | #InvestInWork
The Research

• Federal Reserve System Collaboration
  o 52 Listening Sessions in 2017
  o 32 States and Puerto Rico
  o 1,000 Workforce Development Leaders

• Current challenges
  o Non-skill related barriers
    ✓ Addiction
    ✓ Incarceration
    ✓ Childcare costs
    ✓ Transportation
    ✓ Housing
  o Technological advancement and automation’s impact on employer demands
  o Quality of available jobs impeding economic mobility
Promising Strategies

• Align workforce and economic development efforts using sector strategies
• Broker relationships between employers and training providers
• Study apprenticeships and other work-based training models
• Increase employer training for incumbent workers to foster career pathways and create access to entry-level jobs
• Increase coordination among providers and with funders
• Change employer behavior that improve job access and quality while contributing to business performance goals
Opportunities for Investment

- Core programs and services
- Connect workers to jobs and intermediaries that connect workers to jobs
- Early childhood education
- Community infrastructure including affordable housing and transportation systems
- Comprehensive support services
- Efforts to increase job access and quality
Linking Workforce Development to CRA

- Federal law passed in 1977
- Encourages banks to meet the credit needs of the communities they serve
- Including low- and moderate-income neighborhoods
- Consistent with safe and sound practices
- Collaborative, innovative, relational
Linking Workforce Development to the CRA

- CRA focus on community development (regulatory definition)
- Four categories:
  - Affordable housing for low-or moderate-income individuals or families
  - Activities that revitalize or stabilize low- or moderate-income geographies; distressed or underserved non-metropolitan middle-income geographies; or designated disaster areas (also includes activities that help attract new, or retain existing businesses)
  - Activities that promote economic development by financing small businesses and small farms
  - Community services that target low- or moderate-income individuals
Linking Workforce Development to the CRA

• Definition of Economic Development
  o Size Test:
    ✓ Activity must finance entities that meet the size eligibility requirements of the SBA OR have gross annual revenues of $1 million or less
  o Purpose Test:
    ✓ Activity that promotes permanent job creation, retention, and or improvement for low- or moderate-income people or areas or redevelopment by federal, state, local, or tribal governments
Linking Workforce Development to the CRA

• CRA questions and answers (Q&As)
• Guidance on the interpretation and application of the regulations (2016):
  o Q&As §____.12(g)-1: Concerns the definition of community development. The agencies revised it to clarify that qualified community development activities include workforce development or job training programs for LMI or unemployed persons
  o Q&As §____.12(t)-4: Provides examples of qualified investments. The agencies revised it to expand the examples to include workforce development or job training programs for LMI or unemployed persons

A Framework for Complying with the CRA

- **Engaging Workforce Development: A Framework for Meeting CRA Obligations** - Federal Reserve Banks of Kansas City and Dallas (2016)

- How can banks, most of which will be intermediate small banks* and large banks**, engage in workforce development?
  - Lend to CDFIs, CDCs, or CBOs that engage in workforce development efforts
  - Provide financial support through an investment, equity equivalent, or grant
  - Offer learn-and-earn opportunities
  - Serve on the board of a workforce development entity, volunteer at an entity, or offer pro bono services

*/**Assets greater than $313 million and $1.252 billion as of 1/1/2018
A Framework for Complying with the CRA

How can banks engage in workforce development initiatives that serve the needs of LMI individuals?

- Offer financial education to clients of workforce development entities
- Provide meeting space or other administrative support
- Mentor/coach on resume writing, interviewing, professional skills, and career planning
- Leverage existing sector strategies
A Framework for Complying with the CRA

What are the benefits of banks partnering with Black Communities?

- Improve financial stability of low-to moderate-income individuals by increasing their access to quality jobs
- Grow talent pipeline in communities
- Expand customer base
- Strengthen financial acumen of local communities
- Deepen understanding of local business’ needs
- Build social capital and becoming good corporate citizens
What Communities Need to Know about the CRA

• Financially and reputationally safe and sound strategic partnerships
• Plans with measurable milestones, how mission “qualifies” for credit under the CRA, actual programming
• Articulate how funds will be used, the benefit/impact to the financial institution, the organization, as specifically LMI persons or geographies.
• Promote concept as something that can be integrated into the institution’s short- and long-term business plan
What Communities Need to Know about the CRA

• Explore needs of the least-served areas, where opportunities may be greatest and the competition is least
• Use government programs as resources to enhance opportunities to manage and mitigate risk
• Compare and contrast products and services offered to the needs of the area
What Communities Need to Know about the CRA

- Pools of funds available for CRA qualified grants and donation are limited. Some financial institutions allocate funds 24-36 months out.
- Written documentation is key
  - Form letters with metrics
  - Personalized letters/tailored reports
  - Local demographics
  - Articulate how organization’s efforts meet a community need that otherwise would not be met
- Some financial institutions may still be willing to participate if a program does not specifically qualify for CRA for civic and corporate goodwill
What Communities Need to Know about the CRA

• Review the schedule for upcoming CRA Examinations in your area – target banks of interest.
  o Federal Reserve; FDIC; OCC

• If you do not have a specific contact, reach out to the CRA Officer

• Provide feedback to the regulators (both positive and negative), we are interested (https://www.federalreserveconsumerhelp.gov/)

• In sum, understand the financial institution’s needs to:
  o become a strategic partner
  o target loans, investments, and services to benefit LMI individuals or geographies
  o fulfill community development goals and objectives
Conclusion

• The workforce development landscape is evolving
• Opportunities for banks to engage in workforce development efforts in both urban and rural markets are expanding
• Bank, civic, agency leaders may need coaching on how to engage with local workforce development experts and practitioners
• Federal Reserve Community Development Offices are resources
Build CRA-related capacity

- Engaging Workforce Development: A Framework for Meeting CRA Obligations
- Center for Workforce and Economic Opportunity

FedCommunities.org
Federal Reserve community development resources promoting people, place, practice and small business

www.ffiec.gov