

Investing in America's Workforce

Jeanne Milliken Bonds, Federal Reserve Bank of Richmond

Jeanne.Bonds@rich.frb.org

KidsREADYNC
February 18, 2019



The views and opinions expressed are those of the presenter. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.

Federal Reserve Community Development: Investing in America's Workforce

- Workforce Initiative
- Created to connect human capital development to CRA to banking
- Create opportunities for coordination and collaboration between those engaged in human capital development practitioners and banks

Investing in
America's
Workforce

Improving Outcomes for
Workers and Employers

Mission and Focus

- **Mission: Support the Federal Reserve System's economic growth objectives by promoting community and economic development, and fair and impartial access to credit**
- **Area of focus**
- **Frame the conversation in communities**

Investing in America's Workforce

- Federal Reserve System Collaboration began in 2016
- Explore regional aspects of improving workforce outcomes and investment
- National Conference Oct. 2017
- Book Launch
- Topic Reports
- www.investinwork.org

Workforce Development System

- WIOA: legislation to strengthen and improve the nation's public workforce system for adults and youth.
- U.S. Department of Education manages a competitive process for Pay for Success projects, including expansion of preschool for 3- and 4-year olds; expansion of services for younger, disabled children, dual-language learning, and new and expanded career and technical education for underserved youth.
- Congress's [bipartisan budget agreement](#) includes a historic funding increase for the Child Care and Development Block Grant (CCDBG), the nation's largest federal child care assistance program. Provides \$5.8 billion over the next two years to encourage children's healthy development.
- [Social Impact Partnerships to Pay for Results Act](#) of 2018 (SIPPRA) provides \$100 million for a Treasury-controlled fund to make payments to investors for state and local PFS projects: employment and workforce development, high school graduation, early childhood education, and resilience planning for weather events in cities and rural areas.

TABLE 1

Universal, full-time child care allows more women to participate in the labor force

Notable child care and maternal labor force participation studies

Country	Type of Intervention	Effect on maternal labor force participation
Canada (Québec)	Phased-in universal child care from 1997 to 2000, with a \$5–\$7 per day fee for parents	+7.7 percentage points (for women in 2-parent families)
Germany	Beginning in 1996, introduced free part-time child care for 3- and 4-year-olds	+6.5 percentage points
Chile	Beginning in 2006, introduced free full-time child care available for children younger than age 5	+8.8 percentage points (for mothers of toddlers)
Israel	Beginning in 1999, gradual rollout of compulsory free preschool for all 3- and 4-year-olds	+8.1 percentage points
England	Free full-time child care at age 4 (30 hours per week)	+5.7 percentage points
	Free part-time child care at age 3 (15 hours per week)	+2.1 percentage points

Sources: Michael Baker, Jonathan Gruber, and Kevin Milligan, "Universal Child Care, Maternal Labor Supply, and Family Well-Being," *Journal of Political Economy* 116 (4) (2008): 709–745; Pierre Lefebvre and Philip Merrigan, "Child-Care Policy and the Labor Supply of Mothers with Young Children: A Natural Experiment from Canada," *Journal of Labor Economics* 26 (3) (2008): 519–548; Mike Brewer and others, "Free Childcare and Parents' Labour Supply: Is More Better?" (Bonn, Germany: IZA - Institute of Labor Economics, 2016); Stefan Bauernschuster and Martin Schlotter, "Public child care and mothers' labor supply—Evidence from two quasi-experiments," *Journal of Public Economics* 123 (2015): 1–16; Claudia Martínez and Marcela Peticarà, "Childcare effects on maternal employment: Evidence from Chile," *Journal of Development Economics* 125 (2017): 127–137; Analia Schlosser, "Public Preschool and the Labor Supply of Arab Mothers: Evidence from a Natural Experiment," *The Economic Quarterly* 53 (3) (2006): 517–553.

The Research

- Listening sessions in 32 states and Puerto Rico with more than 1,000 leaders.
- Current Challenges include non-skill related barriers: childcare costs, transportation, housing, addiction and incarceration.
- Current Challenges include skill-related barriers: technological advancement, automation impact, quality of jobs impeding economic mobility.

Promising Strategies

- Align workforce and economic development efforts using sector strategies.
- Broker relationships.
- Study work-based training models
- Increase employer training for incumbent workers to foster career pathways.
- Increase coordination among providers and with funders.
- Change employer behavior to improve job access.

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 and the Community Reinvestment Act (CRA)

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

Linking Workforce Development and 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](#)

Videos Resources on the CRA

- [What is the Community Reinvestment Act?](#)
- [The Small Bank and Intermediate Small Bank CRA Examination](#)
 - [Leading Practices for Effective CRA Programs](#)
 - [CRA Community Development Defined](#)

Linking Workforce Development and CRA

- Definition of Economic Development
 - Size Test ✓
 - Activity must finance entities that meet the size eligibilities of the SBA or have gross annual revenues of \$1 million or less
 - Purpose Test ✓
 - Activity that promotes permanent job creation, retention, and/or improvement for low- and moderate-income people of areas or redevelopment by federal, state, local or tribal governments.

Linking Workforce Development and CRA

- CRA Questions and Answers (Q and As)
- Guidance on the interpretation and application of the regulations (2016):
 - 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.
 - 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 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 CDCs, CDFIs, 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, entity, or offer *pro bono* services

*Assets greater than \$321 and \$1.284 billion as of 1/1/2019



A Framework for Complying with 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 CRA

How do banks benefit?

- Improve financial stability of LMI individuals by increasing their access to quality jobs
- Grow talent pipeline in communities
- Expand customer base
- Strengthen financial acumen of communities
- Deepen understanding of community needs
- Build social capital and good corporate citizenship

What communities need to know about 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
- Explore needs of the least-served areas, where opportunities may be greatest

What communities need to know about CRA

- Use government programs as resources to enhance opportunities to manage and mitigate risk
- Compare and contrast products and services offered to meet the needs of the area
- Learn about the bank and its business model
- Pools of funds available for CRA qualified grants and donations are limited. Some financial institutions allocate funds 24-36 months out.
- Some financial institutions may still be willing to participate if the program doesn't specifically qualify for CRA for civic or corporate goodwill

What communities need to know about CRA

- Tell your story
- Review schedule for CRA exams: [Federal Reserve](#); [FDIC](#); [OCC](#)
- Written documentation is key
 - Letters with metrics
 - Tailored reports
 - Local demographics
 - Articulate how the organization's efforts meet a community need that otherwise would not be met

What communities need to know about CRA

- If you do not have a contact, reach out to the CRA Officer
- Provide feedback to the banking regulators
- Understand the financial institution's needs to
 - Become a strategic partner
 - Target loans, investments, and services to benefit LMI individuals or geographies
 - Fulfill community development goals and objectives

Conclusion

- The landscape for workforce development is changing and evolving
- Opportunities for banks to participate are expanding
- Bank, civic, agency leaders may need coaching on how best to engage
- Call on the Federal Reserve Community Development Officer in your area for assistance

Resources



- Build CRA-related capacity
 - [Engaging Workforce Development: A Framework for Meeting CRA Obligations](#)
 - [Center for Workforce and Economic Opportunity](#)
- www.ffiec.gov

