

# **MAKING CONNECTIONS: A Study of Employment Linkage Programs**

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# CONTENTS

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<b>Executive Summary</b>	1
◆ <b>Introduction</b>	9
A. What Do Employment Linkage Strategies Involve?	
B. Why This Study?	
C. How is the Report Structured?	
◆ <b>Why Networks Are Important in Obtaining Jobs</b>	13
A. Theories of Why High Unemployment Persists in Inner Cities	
B. Networks and Contacts as Links to the Labor Market	
C. Networks and Ethnic Niches	
D. How Networks Function	
E. Poor Quality Networks in Inner City Communities	
F. Beyond Information and Networks	
G. Supply- and Demand-Driven Systems	
◆ <b>Common Features of Linkage Models</b>	19
A. Finding Incentives that Bring Employers to the Table	
1. Portland's JobNet: Economic Development Incentives as Leverage	
2. Berkeley's First Source: Real Estate Development Incentives as Leverage	
3. Minneapolis' Neighborhood Employment Network: Labor Shortages as Leverage	
B. Providing Critical Early Information on What Employers Are Seeking	
1. Portland's JobNet: Brokering Information on Current and Future Labor Demand	
2. Berkeley's First Source: Staff-Managed Information Exchange	
3. Minneapolis NET: An Employment Information System	
C. Linking Information about Jobs with People Seeking Jobs	
1. Portland's JobNet: Brokering Information on Current and Future Labor Demand	
2. Berkeley's First Source: Staff-Managed Information Exchange	
3. Minneapolis NET: An Employment Information System	
◆ <b>Have the Programs Helped Job Seekers?</b>	29
A. Impacts on Entry-level Job Seekers	
1. Placement	
2. Job Quality	
3. Summary of Program Outcomes for Job Seekers	
B. What Do the Programs Cost?	
◆ <b>What Impact Have the Programs Had on Employers?</b>	41
◆ <b>6 What Impact Have the Programs Had on Broader Systems?</b>	45

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*“The primary goal of this series of studies is to provide useful information about economic development strategies that work.”*

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<b>7</b>	<b>What Internal and External Factors Make a Program Successful?</b>	51
	<b>How Should These Programs Be Adapted in Other Locations?</b>	57
	<b>Appendix A: Methodology</b>	61
	<b>Bibliography</b>	63

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## Foreword

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Economic success poses its own dilemmas. For example, while the U.S. economy is creating new skilled and semi-skilled jobs at an unprecedented rate, those new jobs are not equally accessible to all Americans, both in terms of where one lives and of the skills and income one needs to claim those jobs. In short, people in rural areas and areas in which manufacturing firms (and jobs) have fled do not have equal access to the new employment; neither do those persons with less skills, less education, lower income. A related dilemma is that, although some communities have arrived at remarkably innovative and successful means, frequently with support from the U.S. Department of Housing and Urban Development, to address the first dilemma, those initiatives have not been systematically described and widely disseminated. As the result, even highly successful initiatives have not claimed wide currency.

The four studies that comprise this effort go some way to addressing the second dilemma. They explore in detail four strategies that have shown marked success in producing and maintaining economic opportunities and jobs and also in making them available to people with low incomes. The four studies were conducted by the Center for Community Change with support by the Office of Policy Development and Research of the U.S. Department of Housing and Urban Development, the Pew Charitable Trusts and its Fund for Urban Neighborhood Development and by the Center for Community Change itself. The four reports are:

**Making Connections: A Study of Employment Linkage Programs** considers efforts by local governments to leverage their fiscal and zoning powers to gain the commitment of employers to connect low income people with private sector employment. Such initiatives share certain features: They create ties to employers through the use of development incentives and offering employers an expensive system for locating quality employees, provide timely access to information on job opportunities and establish formal means for screening, referring and placing job candidates. In the report, three long-standing employment linkage programs are reviewed to determine how well they link residents of economically isolated communities to jobs.

**Saving and Creating Good Jobs: A Study of Industrial Retention and Expansion Programs** focuses on programs designed to assist manufacturing firms already in a given location to stay and grow. The underlying presumption is that some manufacturing firms in any locality would prefer to stay, and even expand, if special mechanisms were in place that improve the manufacturer's capacity to compete by providing assistance in such areas as marketing, technology and finding qualified workers. This study assesses the value of industrial retention and expansion as a strategy with particular emphasis on the experience of four organizations for whom that strategy is their principal mission.

**New Avenues into Jobs: Early Lessons from Nonprofit Temp Agencies and Employment Brokers** explores an economic development model in which job seekers are placed by employment brokers into non-permanent positions where they build work experience while receiving varying degrees of retention assistance and other kinds of post-placement support. The report documents the efforts for six nonprofit organization to help disadvantaged workers gain access to employment through temporary work and surveys the lessons, positive and negative, learned from these local initiatives.

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**Strengthening Rural Economics: Programs that Target Promising Sectors of a Local Economy** examines how a strategy of concentrating economic developing effort on a sector of businesses that are located near each other and share other common features can expand economic opportunities and produce jobs in rural areas. The report describes four diverse cases in which such a strategy has been used at least in part with the intention of increasing employment among low income people – and with some success.

Taken together, these reports, and related studies available directly from the Center for Community Change, offer those in local governments and both non- and for-profit organizations who want to stimulate more and better jobs for residents of their communities insights into the potential for growth implicit in local economic development strategies that can be replicated and customized to meet local needs.

*Xavier de Souza Briggs*

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# Preface

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**A**cross the country, community-based organizations, other nonprofits and government officials are experimenting with new approaches to the seemingly intractable problems of poverty, including unemployment, underemployment and low wages. Many of these model projects are highly creative and promising, but they are scattered and seldom evaluated. It has therefore been difficult for other organizations or the federal government to glean lessons from these model projects in order to adapt and use them elsewhere.

To help close this information gap, the Center for Community Change has prepared a series of studies of different approaches to economic development which show particular promise in providing jobs and economic opportunities to low income people. Each of these studies has been based on several case studies of exemplary local projects.

The primary goal of this research is to provide community and other nonprofit organizations and local, state and federal officials with useful information about economic development strategies that work and how to nurture their growth and extension. It is our hope that this research will stimulate others to adopt some of the excellent strategies which have been developed over many years of hard work and that it will also lead to the development of government policies which support expanding use of these strategies.

This research was conducted with financial support from the Office of Policy Development and Research of the U.S. Department of Housing and Urban Development, a grant from the Pew Charitable Trusts and its Fund for Urban Neighborhood Development, and a financial contribution from the Center itself. In addition to this study of Employment Linkage, under these grants the Center has completed similar studies of industrial retention strategies, sectoral development strategies for rural areas, and the potential role of nonprofits in placing low income people in good jobs through pro-

viding temporary employment and other staffing services.

## Growing Interest in Employment Linkage

For at least three decades, government agencies, community-based organizations and others have experimented with various approaches to linking unemployed and other disadvantaged job-seekers with good jobs in the mainstream economy. The Department of Housing and Urban Development's (HUD) concern about this issue dates back to the Model Cities Program, when there were serious—but ultimately unsuccessful—efforts to coordinate Department of Labor training programs, HUD Model Cities funding and other federal government efforts to ensure that a maximum number of jobs created with federal funds went to those who needed them most. As Model Cities was phased out, Congress enacted Section 3 of the Housing and Community Development Act of 1968, which gave statutory priority to residents of HUD target areas for jobs and economic opportunities created when HUD funds were spent.

In the 1960s and 70s progressive local officials in several cities instituted policies which were geared to improving job opportunities for low income and minority people. Their efforts included residency requirements for city employees, targeting and affirmative action requirements for government funded projects, and employment linkage agreements. While some of those policies have been reversed in subsequent years, others have survived and had a substantial impact over time.

Grassroots community groups have a long history of concern with these issues. Acting on behalf of their low income, often heavily minority members, many grassroots groups have pushed for policies that give priority to hiring disadvantaged people. In the 1970s, for example, it was common for community organizations to seek guarantees

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*“Grassroots community groups have a long history of pushing for policies that give priority to hiring disadvantaged people. Some groups went on to develop their own hiring halls, do recruitment and placement or work with job training groups.”*

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that low income people would benefit from projects funded under that era’s Urban Development Action Grant Program. In subsequent years, it has been increasingly common for community groups to seek “First Source Agreements,” under which developers or others benefitting from Community Development Block Grant, public housing, or other public funding agreed to look first to a particular community group or hiring arrangement as they recruited employees. Some of these groups went beyond these agreements to develop their own hiring halls, recruitment and placement capacity, partnerships with training groups, and other systems to steer jobs to those who needed them.

In preparing this report the Center studied some of the oldest and most highly developed “First Source Agreements” and employment linkage systems in order to assess their success and draw lessons from their experience. Although each of the employment linkage systems studied was initiated by progressive local officials, the lessons which emerge from their substantial successes are as useful for nonprofit community groups as they are for public officials elsewhere.

## **HUD and Employment Linkage**

HUD’s concern about employment linkage is taking on greater urgency in this era of welfare reform and federal cutbacks. The Department is necessarily deeply concerned about the impact of welfare reform, cutbacks in General Assistance and other cuts in the income—and therefore the rent-paying ability—of tenants of public housing, assisted housing and Section 202 housing for the elderly and disabled. The housing authorities and nonprofit and for-profit sponsors of these projects will face serious problems as they are forced to evict those tenants who can no longer pay the rent, as turnover and vacancies increase, affecting the financial viability of projects, and as owners are forced to defer maintenance and jeopardize the

future of their buildings. HUD now has an extraordinarily high stake in linking threatened tenants with jobs with sufficient income to pay the rent.

Similarly, many owners of FHA-insured single family homes who have been receiving Aid to Families with Dependent Children (AFDC), Social Security Income (SSI), General Assistance (GA), or other income from government will now begin defaulting on their payments. There will be a wave of new foreclosures, each of which will cost the federal government heavily. Jobs with good wages are key to solving this problem.

In addition to these new incentives to redouble its emphasis on targeting jobs, HUD, of course, has a continuing commitment to the success of its ongoing programs of support for economic development and job creation. A major portion of Community Development Block Grant (CDBG) funds goes for economic development. The Section 108 loan guarantee program and the Economic Development Initiative finance particular projects. The primary purposes of Empowerment Zone/Enterprise Communities program are to stimulate economic development and increase the availability of jobs for disadvantaged people. HUD therefore has a strong stake in ensuring that these programs benefit lower income people, and an important role to play in making sure that the jurisdictions which receive those funds are familiar with, and serious about, effective techniques for linking low- and moderate-income people to the jobs created with federal funding.

**T**his report is one of four that was supported by the Office of Policy Development and Research of the U.S. Department of Housing and Urban Development, the Pew Charitable Trusts and its Fund for Urban Neighborhood Development, and by the Center for Community Change itself. The other three reports are:

◆ ***New Avenues into Jobs: Early Lessons from Nonprofit Temp Agencies and Employment***

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*“Because of the impact of welfare reform and other federal cuts on the ability of low income tenants to pay their rent, HUD now has an extraordinarily high stake in linking threatened tenants with jobs with sufficient income to pay the rent.”*

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*Brokers*, which focuses on nonprofits that have used temporary work as a way to integrate low income people into the world of work.

◆ *Saving and Creating Good Jobs: A Study of Industrial Retention and Expansion Programs*, which examines organizations that help local manufacturing businesses save and create jobs.

◆ *Strengthening Rural Economies: Programs that Target Promising Sectors of a Local Economy*, which examines efforts to strengthen a particular “sector” of a local economy that is

thought to have potential for expansion and job creation for low income people, such as hosiery manufacturing in North Carolina.

**T**aken together, we hope these studies provide useful information for those who want to stimulate more and better jobs for residents of their communities. We also hope they underscore the vital role that the lack of decent jobs plays in the economic struggles of many people living in low income communities.

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# Acknowledgements

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This report represents the culmination of two years of research and development. Over the course of the study there were many people who gave their time and assistance to make this report a reality. The Center for Community Change is grateful to the Office of Policy and Development and Research within the U.S. Department of Housing and Urban Development and the Pew Charitable Trust's Fund for Urban Neighborhood Development for providing financial resources to underwrite the research.

Midway through the study, we convened an advisory group to respond to and comment on our preliminary findings. Craig Howard of the James Irvine Foundation, Manuel Pastor, Jr., Professor of Latin American Studies at the University of California at Santa Cruz, and Neil Mayer of the Center for Community Change, were very helpful in making sense of what at the time seemed like very divergent models. Their encouragement and suggestions were critical during a pivotal point in the research. Thanks is also extended to the James Irvine Foundation which made its offices available to us for the advisory group meeting and a subsequent meeting of linkage practitioners.

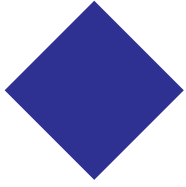
The research team is especially grateful to the program staff of the linkage intermediaries. Their willingness to make themselves available to us and put their programs under the magnifying glass for public scrutiny is appreciated. In particular, a heartfelt thanks goes to Lisa Nisenfeld, Mike Brinda and Allison Page who were always willing to answer our questions, sometimes on very short notice, and to make their staff available when we needed more information.

Personally, the author would like to thank her colleagues at the Center for Community Change, who were always supportive and willing to provide warm smiles during occasionally difficult circumstances. Andy Mott, Deputy Executive Director of the Center was persistent in getting me to commit my time and energy to researching and writing a document for the community development field. Research Associate Fred Broadwell displayed unusual patience and was a calming influence on the team. Ed Gramlich assisted with research. Neil Mayer provided the initial structure and research methodology that allowed us to quickly get out in the field and learn from practitioners. Kris Palmer was a constant companion in this endeavor. Without her humor, energy, persistence and strong research skills this report would not have come about. Her devotion to this project made this a team effort in the strongest sense of the word.

Finally, I am deeply thankful to Craig Howard, a member of the advisory group as well as a personal friend. Craig spent countless hours reading drafts of this report and the case studies, posing suggestions and challenging my analysis and findings. His insight, critique and sharp analysis sharpened my views and presented me with a strong framework for understanding linkage programs. He must be given credit for thinking about linkage models as supply-driven or demand-driven systems. Craig's substantive contributions are strongly reflected in the final version of this report.

—*Frieda Molina*

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# Executive Summary

Getting a job is a function of who you know as well as what you know. For inner city residents who typically lack contacts with mainstream labor markets, finding a job can be an elusive goal.

Employment linkage programs sponsored by local governments hold promise in connecting disadvantaged job seekers to private sector employers. By using local fiscal and zoning powers to leverage job opportunities, employment linkage programs can begin to level the playing field by giving residents of targeted neighborhoods greater access to job openings both in their immediate area and in the wider metropolitan economy. Serving as a bridge linking targeted job seekers with employers, community agencies and training institutions, linkage programs make local labor markets work better for low income people and targeted programs. They create networks and provide job seekers with access to job information, sponsor job seekers, provide role models and give more job seekers a fair shot at hiring based on their qualifications.

*Making Connections: A Study of Employment Linkage Programs* assesses the effectiveness of employment linkage strategies in connecting low income people to private sector employment. The study examines:

- ◆ The structure and operations of linkage programs.
- ◆ The type of outcomes produced for employers and low income job seekers.
- ◆ How linkage programs promote restructuring of relationships so that employment service providers and training institutions become more successful in preparing and placing low income clients.
- ◆ The factors and characteristics contributing to their success.
- ◆ The adaptability of linkage programs to other locales.

In this report, three longstanding employment linkage programs—JobNet in Portland, Oregon, First Source in Berkeley, California, and Neighborhood Employment Network (NET) in Minneapolis, Minnesota—are reviewed in order to gauge how well they link residents of economically isolated communities to jobs. The assessment of these programs was conducted through on-site interviews and analysis of job placement and other data.

## Common Features of Linkage Programs

The three programs vary in program design, employer incentives and the range of collaborating institutions, but they share three general features. All of these programs:

- ◆ Create formal and/or informal ties to employers through the use of development incentives (loans, tax abatements, zoning variances, land assembly, etc.) and/or establishing informal relationships with employers by providing an inexpensive system for locating quality employees.
- ◆ Provide timely access to information on job opportunities.
- ◆ Establish formal mechanisms for screening, referring and placing job candidates.

## Providing Incentives to Employers

Linkage programs typically use some form of incentive to bring employers to the table. In Portland and Berkeley, local government uses its fiscal and zoning power to establish relationships with employers in the form of hiring agreements. In Minneapolis, the local labor shortage is the primary lever that allows a collaboration of employment service providers to gain employers' attention. In each case, employers make the decisions about whom to hire, but the linkage program substantially determines who is in the pool of candidates.

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*“Employment linkage programs hold promise in connecting disadvantaged job seekers to job openings both in their immediate area and in the wider metropolitan economy.”*

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## **Providing Information to Job Seekers and Trainers**

Linkage programs connect disadvantaged job seekers with employment by giving individuals—and the training institutions that serve them—up-to-date information on job openings, wage levels, job qualifications and application procedures. The management of this information, particularly its quick acquisition and dissemination, is a critical brokerage function performed by the linkage intermediaries.

## **Developing a Referral Mechanism**

The linkage referral network is composed of employment placement and training agencies, educational institutions and service providers that use the job information disseminated by the linkage intermediary to prepare, assess and refer candidates for employment. Together the intermediary and the referral network perform the two essential functions of linkage programs: managing the flow of information in one direction and the flow of candidates in the other.

While the three features of leverage, information flow and referral are common to all the programs studied, they differ in the emphasis each places on being driven by the *demand for* or *supply of* workers. Portland's JobNet is an example of a program that is essentially demand-driven. In return for providing business assistance, JobNet gains preferential access to a portion of private sector demand for labor and, through its brokering function, “pulls in” a labor supply from targeted neighborhoods. In contrast, Minneapolis' NET is a supply-driven system that responds to local labor shortages by channeling a substantial supply of potential workers through nonprofit neighborhood centers. First Source in Berkeley takes a more evenly balanced approach. It sells firms on the availability of a good supply of labor in its overall business assistance package, but also works with residents referred

through an array of community agencies and tries to match them with appropriate jobs.

## **Successful Program Outcomes**

In fiscal year 1995-96, Minneapolis' NET-affiliated agencies placed a total of 1,706 people in jobs. Portland's JobNet was successful in assisting 1,235 people in finding jobs in fiscal year 1994-95. First Source helped place 259 Berkeley residents in jobs in fiscal year 1995-96. Each of the linkage programs has a central goal of serving low income people and each was successful in doing so. A majority of people placed in each city were low income<sup>1</sup>, even though in Portland and Berkeley all residents, regardless of income status, are eligible for job placement assistance by the linkage intermediary.

All three programs were also successful in placing minority adults, most of whom were low income, in full-time entry level jobs offering fringe benefits. The programs were consistent in finding jobs for minority residents in proportions far greater than their representation in the workforce. The proportions ranged from more than 2:1 in Berkeley, a city with a substantial minority workforce, to more than 4:1 in Minneapolis, a city with a low percentage of people of color.

In addition, job linkage programs showed substantial impact in placing people with limited work histories and multiple personal barriers. In Minneapolis, approximately three-fifths of the total number of people placed were considered high or very high risk candidates because of their work histories and personal challenges. In Berkeley, homeless people made up 16 percent of the people placed in 1994. The programs sought out partnerships that would gain them access to people with a variety of needs and disadvantages, and then delivered job placement services to them effectively.

The wage rates of people placed varied by industry and location. Overall, across all industries,

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the median wages of residents placed ranged from \$7.00 per hour in Minneapolis to \$8.75 per hour in Portland. Median wages were highest in Berkeley, where residents placed in manufacturing jobs commanded median wages of \$14.03 per hour.<sup>2</sup> Although the wages of people placed varied by industry and location, placements in the three cities were in jobs with median wages above the national poverty threshold for three-person families. In Portland, median wages were sufficient to sustain a four-person family above poverty.

### **Providing Employers Quality Services**

In the three cities, similarities were found in the way employers were approached and engaged. Whether the initial relationship was formed through the development of a hiring agreement or the contact was made through other means, all programs seek to maintain employers’ engagement by offering quality outreach, recruitment, screening and referral services. Linkage staffs in Portland and Berkeley initially obtain employers’ attention during first source hiring contract negotiations, but even with this tool, linkage staff described the importance of appealing to employers’ self-interest, rather than simply relying on participation under the pressure of mandated agreements.

In general, employers interviewed seemed to be satisfied with the services they received from the linkage intermediaries. Their positive comments were supported by the repeat requests from employers as well as the number of employers who use the program voluntarily. For example, in Berkeley, 22 percent of employers using First Source used it more than four times in 1994-95.

The programs varied in their marketing techniques, but in general they focused on discussing how their services can save employers time and money by referring pre-screened and qualified candidates. Based on an average cost of \$2,542 per position to recruit, screen and hire hourly employees, we estimate that the savings for employers

range from \$0.3 million in Berkeley to \$4.3 million in Minneapolis in 1995-96. Yet, savings to employers can be offset by the costs of turnover, if job retention rates in linkage programs fall short of those in the general market for entry-level workers. Turnover was relatively high in Berkeley, the one site that had available retention data.<sup>3</sup>

### **Impacts on Broader Systems**

The linkage programs studied are multi-institutional collaborations managed or led by an independent linkage intermediary. Together, the linkage program, affiliated community organizations, training institutions, employment service providers and employers form a workforce system.

While none of the linkage intermediaries began with the intention of reshaping their respective workforce preparation systems, each has started to have an impact. Each has come to define systemic improvements as intermediate goals that must be achieved to improve outcomes for low income job seekers. Systemic impacts have been achieved in the following areas:

- ◆ **On the workforce system:** Participation in a linkage program improved, and in some cases transformed, the operations of employment service providers. Nowhere was this more evident than in Minneapolis, where the linkage intermediary works to assure that members of the network of employment service providers perform at a high level, since failure to do so places the entire 11-member collaborative’s future funding at risk. To ensure that members operate effectively, collaborative members are given technical assistance by their peers. Peer accountability and the availability of technical support have resulted in continually improving program operations, thereby raising performance levels across the network. All participants indicate that this approach has significantly strengthened the neighborhood employment infrastructure.

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*“Labor market conditions, program leadership, the capacities of employment service providers and public policy were among the factors found to influence the performance of linkage programs.”*

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- ◆ **On the public sector’s approach to workforce issues:** By embedding workforce issues within their city’s overall economic development policy, both Portland and Berkeley have given their programs the type of staying power necessary to weather changing municipal administrations. Because these programs have been institutionalized, they have been given the ability to grow, mature and continually improve.
- ◆ **On the level of employer engagement in solving workforce needs:** Employers have gone beyond routine participation in the linkage programs to designing and in some cases paying for training to address their workforce needs. Portland and Berkeley have used an employer consortium model to bring together employers within the same industry to develop special training programs for entry-level jobs. By working with employers to rewrite training curricula, the linkage programs have achieved a strong level of employer participation and buy-in. This participation has resulted in internships, teacher training and new laboratories at local schools. In Minneapolis, the linkage program helped create a partnership between a manufacturing firm and the city, resulting in the establishment of a temporary employment agency to help higher-risk applicants gain access to the firm’s jobs.
- ◆ **On the potential for rebuilding hiring networks in low income neighborhoods:** We found evidence that linkage programs are beginning to open doors for residents of low income neighborhoods. The employees we queried responded that before being placed they: 1) had never considered applying for their current job; 2) had not known about their current employer; 3) had heard about their employer, but did not know what the company did or did not think they were qualified for employment; or 4) had applied before, but had not been successful in securing a job with their current employer. Many of these employees have started to inform family members and friends about job opportunities

with their employers. While there is no hard evidence about whether anyone has found a job as a result of the information conveyed by these employees, it seems likely that if a sufficient number of neighborhood residents find jobs, the information they provide to peers and relatives will eventually increase their associates’ access to jobs.

## **Internal and External Factors Affecting Outcomes**

Labor market conditions, program leadership, employment service provider capacities and public policy were among the factors found to influence the performance of linkage programs. These factors have implications for the type of outcomes that can be achieved.

- ◆ **Local economic conditions**, including the type of growth, dispersion of job openings and the quality of entry-level jobs will significantly influence the scale of placements. Where economic growth is modest and the local economy dominated by small employers, linkage staff will have more difficulty placing residents because their efforts will be spread across a range of disparate employers who only hire one or two people at a time. The effort involved in placing residents in these conditions will likely raise the costs associated with making each successful placement.
- ◆ **The prevailing education, skill levels and work readiness levels of job seekers** will affect the rapidity of response to job openings. Even a strong intermediary cannot quickly compensate the lack of preparation of the workforce. Programs with potential may show only modest success in initial years if the prevailing education levels and work readiness of residents are low. The less prepared the workforce, the longer it will take to prepare and/or train workers, which translates to difficulty in referring suitable candidates to currently available jobs.

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- ◆ **The quality of employer engagement** is a critical factor in performance and effectiveness. Minimally, employer engagement means that linkage staff are provided with good quality information on labor market demands in a timely manner. But employer engagement can also result in employers playing a more active role in building the quality of their future workforce. By appealing to the self-interest of employers, linkage programs maintain employers’ participation and thus assure continual access to high quality information on job openings and industry trends.
- ◆ **The quality and strength of hiring agreements** make a difference in the initial establishment of relationships with employers. The stronger the agreement, the more likely employers are to take the program seriously, at least in the beginning.
- ◆ **The quality of service provided** makes a difference in the long term. Although strong agreements are important in the short term, employers’ continued participation depends on the quality of the service they receive.
- ◆ The general **capacity of employment service providers to deliver a flow of quality job candidates** is central to the success or failure of linkage programs.
- ◆ **Traditional employer recruitment and hiring networks can be a major barrier** to increasing access for targeted groups. Small employers tend to have more entrenched recruitment networks, making it harder for linkage programs to gain their participation. Staff are more likely to spend more time with small employers, but this extra time may not translate into more placements.
- ◆ **Quality management** is essential to the success of the provider collaborative. As the intermediary, the linkage broker sits at the hub of a number of partners. Poor management and faulty lines of communication can result in a system with disparate parts not functioning smoothly

together. The demands on management seem to be staffing the collaborative, troubleshooting, mediation with employers and coordinating the flow of information to all partners.

- ◆ **Leadership and commitment by local government** and program staff are necessary for program continuity and longevity. Fundamentally, public officials must believe in the link between economic development and poverty alleviation—that creating jobs helps fight poverty. Community support must be broad and committed enough to enable the program to survive successive municipal administrations and volatile economic conditions.

## **Adaptability and Policy Considerations**

Cities should not look to replicate the three models described in this report, but should approach the task of developing a program by adapting the programs’ key features to the local context of economic conditions, resources and leadership. The following summary of key features provides guideposts for others to consider in developing what should be home-grown linkage models.

***Think of linkage programs as reformed workforce systems rather than simply as programs for the disadvantaged.***

Major systemic changes result when linkage programs entail both a restructuring of relationships among employment service providers, community colleges and employers, and an effort to enhance the quality of performance by each participant. Such linkage programs produce reformed workforce systems, rather than simply programs or projects for the disadvantaged. They involve a high level of buy-in by public and private leadership and demand changes in how participants engage in their core work.

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***“Think of linkage programs as reformed workforce systems rather than simply as programs for the disadvantaged.”***

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***Find the right balance between demand-driven and supply-driven linkage models.***

We found both the demand-driven Portland program and the supply-driven Minneapolis program to be successful, even though they take nearly opposite approaches in directing their respective systems. Portland’s demand-driven system works, but because it does not expose most employment service providers to the market or force them to work directly with employers in planning how their services should be changed, it does not foster stronger infrastructures in those agencies. While the Minneapolis program works because it assures a steady supply of quality candidates, it may find the going tougher when unemployment increases, and it faces the same task without the benefit of strong first source agreements. Berkeley’s program is working to strengthen both sides of the system (demand and supply) but their performance has been modest.

***In regional economies where multiple cities compete for business, seek a region-wide approach to employment linkage.***

Portland’s regional approach to program participation has great advantages. Since firms have choices of locations within and among metropolitan areas, it seems important to avoid circumstances whereby one city is played off against another in efforts to develop hiring agreements in exchange for development incentives. Where possible, it may be better to take a regional approach to employment linkage in order to avoid a local bidding war. Although Berkeley is not pursuing regional first source agreements, it is extending its network of employment service providers to include the neighboring towns of Emeryville and Albany, thereby reducing competition among them. Similarly, NET in Minneapolis includes employment service providers from the surrounding suburbs in its collaborative and JOB LINK is considered a re-

gional tool to assist employment service providers in the St. Paul/Minneapolis region.

***Gain broad-based political support to enable programs to survive changes in city administrations.***

Public sector support is essential to make linkage programs successful. Fundamentally, public sector officials must make the link between economic development and poverty alleviation. They must be willing to make major investments to improve public agency performance (economic development departments, employment and training programs, public educational institutions, etc.), and strengthen the capacity of employment service providers. They and their partners must see that they share mutually reinforcing and supportive goals of strengthening the economic benefits for residents while strengthening the competitive advantage of the region’s economy.

Support for the program must be broad enough to enable the program to weather successive mayoral administrations. This requires that community groups and public officials work together to build enough broad-based community support for linkage programs that those programs are not wiped out by changes in political leadership.

***Hire capable, devoted staff with capacities to work with a range of stakeholders.***

Despite the differences in lead agencies (non-profit in Minneapolis, local government in Portland and Berkeley), what was consistent across the sites was capable and devoted leadership. Each has dedicated full-time staff to the task, whose attention is not diverted to other, non-linkage related activities, and who have the capacity to work with relative ease with the nonprofit, public and private sectors.



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***“Intermediary staff must develop a strong understanding of labor market trends and individual employer workforce needs.”***

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***Develop strong knowledge of regional labor markets.***

Linkage intermediary staff must develop a strong understanding of labor market trends and individual employer workforce needs. By developing the systems and personal contacts needed to understand and anticipate market trends, intermediary staff will be able to translate this knowledge to their partners in ways that build their capacity to refer qualified job seekers. This understanding also increases the intermediary’s ability to craft innovative solutions to employers’ workforce issues while finding roles for their partner agencies in addressing those issues. Similarly, by being attentive to industries’ needs, staff build the confidence and trust of area employers. Ultimately, this trust and connection result in employers’ willingness to share additional information about future hiring trends, thereby further increasing staff knowledge of emerging demand, which staff can then translate into information that gives a competitive advantage to linkage program clients.

***Develop close relationships with employers. While agreements may get you an audience, the quality of the service will determine whether employers become repeat users.***

The process of building close relationships with employers is ongoing. Several of the cities have used both economic incentives and first source agreements as methods for gaining employers’ initial attention. Good quality service will likely determine the long term quality of employer relationships. The key to success over the long-run is viewing employers as customers, offering them recruitment, screening and referral services that serve their self-interest by saving them time and

money and helping them meet production schedules.

***Create a market-driven service delivery system.***

Past efforts of employment service providers to place residents in private sector jobs often have been uneven due, among other things, to providers’ lack of connections to the labor market. In general, because employment service providers do not see their role as serving labor markets, they see themselves as serving individuals. As a result, they often behave in ways that do not respond to market demands. Yet the volatile and often unforgiving nature of the labor market sorts out weaker service providers, while strengthening those able to respond appropriately to the needs of area employers. By creating forums where employment service providers can talk to employers, understand their business operations, hear about their labor force needs, and, importantly, gain feedback on the performance of those they refer, linkage programs can begin to expose providers to the demands of the labor market in ways that lead to enhanced performance.

## **Endnotes**

<sup>1</sup> Measured at 80 percent of area median income, consistent with the Section 8 housing standard of the U.S. Department of Housing and Urban Development (HUD).

<sup>2</sup> Multiple placements with one biotech company substantially affected this number.

<sup>3</sup> Retention rates for a full year were not available in Minneapolis or Portland.



# Introduction

Getting a job is a much more complicated transaction that it once was. In addition to the severe shortage of jobs in many communities, two factors—lack of skills and lack of connections—complicate the search for work.

Issues related to the lack of skills are becoming even more difficult because of the changing nature of work itself: even entry-level jobs in most industries have become increasingly complex, requiring relatively high levels of education and skill. Technological changes are constantly transforming the nature of work in most industries, with skills quickly becoming obsolete.<sup>1</sup> Today, the only means to obtain some measure of job security is to achieve “skill security”—the ability to learn a higher level skill, and to continually update or learn new skills to match rapid technological changes.

At the same time there is increasing recognition of the crucial role that connections play: getting a job is far easier for job seekers with good job contacts. Much of the work of poverty researchers and economists in recent years supports the view that getting a job is often a function of the quality of one’s connections or contacts with employers. Individuals and communities that lack good quality contacts are disadvantaged in their pursuit of job opportunities. Indeed, the search for employment, always difficult for those without the most marketable skills, is made more difficult still if individuals lack both the connections that facilitate finding out about jobs and the personal relationships with employers that often determine who is hired.

Skills and connections are the two essential ingredients of a successful job search. Connections or linkages to employment opportunities are the focus of this report.

Connecting job seekers and communities to jobs is even more necessary in the era of welfare reform in which large numbers of welfare recipients are required to enter the world of work. With large numbers of low-skilled people suddenly in search of work, community-based organizations, employ-

ment training institutions, local governments and others are scrambling to prepare this burgeoning new labor force. Whether jobs are scarce or plentiful, good connections or linkages will give individuals a comparative advantage in acquiring work, even in low-skilled entry level jobs. The fortunes of those served by these agencies will depend not only on the qualities of job preparation, but also on the qualities of connections which they can foster between these new job seekers and employers.

## What Do Employment Linkage Strategies Involve?

One approach to connecting inner-city job seekers to jobs is through local government-sponsored employment linkage programs. Using the lever of development incentives (loans, tax abatements, zoning variances, land assembly, etc.) to capture job opportunities created for unemployed residents, linkage programs give targeted communities priority information and access to the job opportunities created as the result of public incentives. Under “first source hiring,” businesses agree to give targeted communities priority information and access to job opportunities in exchange for development incentives.

The first such city-sponsored linkage program was established in 1978 in Portland, Oregon, and was soon followed by other similar local government efforts. Despite the modest proliferation of such first source programs in the 1980s, few local governments have maintained them. Others, however, are launching updated versions of these linkage mechanisms, often under pressure from community groups and others concerned about employment for low income and minority people.

Using both formal and informal arrangements and employing a range of program types, linkage programs share one common feature. They give specially targeted populations, such as residents of

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*“Getting a job is often a function of the quality of one’s connections or contacts with employers. Individuals and communities that lack good quality contacts have a harder time finding good jobs.”*

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low income neighborhoods, early information about jobs. Linkage programs with hiring agreements also give the targeted population priority consideration for jobs in targeted industries.

Linkage programs employ two principal means to encourage employer participation. One is through the use of “first source hiring agreements.” In exchange for financial assistance or public approval of development plans, developers sign an agreement to look first to a pool of qualified workers referred by local agencies. The second method of encouraging employer participation is through voluntary agreements whereby employers facing labor shortages cooperate with local agencies that help identify candidates for jobs. Typically, programs include links to community-based job training agencies as sources of job candidates, with many serving as one-stop shops through which job orders and candidates flow. By virtue of their expanded relationships with employers, many job training programs gain high quality information that helps them refer and place job candidates. This information also facilitates planning for future training programs, thereby ensuring the next cohort of job seekers receives the training they need for the current labor market.

## Why This Study?

While linkage programs seem to be an ideal means to connect people to local labor markets, the efficacy of the various types of linkage programs has seldom been gauged. The country knows little about how they work, what program characteristics promote success, under what circumstances they are effective, and what scale of benefits can be realized.<sup>2</sup>

Given the seeming promise of such strategies, combined with the accumulated experiences of some pioneering efforts, we have chosen to revisit

this job access model. The focus of this report, and the accompanying case studies, is to review the performance of three linkage programs,<sup>3</sup> —JobNet in Portland, Oregon, First Source in Berkeley, California, and Neighborhood Employment Network (NET) in Minneapolis, Minnesota—to gauge their relevance as means to link residents of economically isolated communities to jobs.

The purpose of this investigation was twofold. First, we sought to understand whether employment linkage is a successful strategy for connecting low-skilled and unemployed individuals to the world of work. In answering this question we drew on outcome data from three sites to develop a profile of the residents placed and the type of jobs they obtained. Second, we sought to ascertain whether there are features of successful linkage programs which might be adapted by others.

For the purposes of this analysis the research team sought to address the following questions:

- ◆ How effective are employment linkage programs at helping disadvantaged job seekers find private sector employment?
- ◆ How effective are the programs in placing different categories of job seekers?
- ◆ What types of jobs do job seekers obtain and are the wages sufficient to escape poverty?
- ◆ What are the elements of a successful program? What staff capacities, type of leverage, operating cultures and type of relationships between public agencies, community organizations, educational institutions and employers are required?
- ◆ How do external factors, such as local economic performance, impinge upon program outcomes?
- ◆ What features of successful efforts can be adapted to other locations?

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*“While linkage programs seem to be an ideal means to connect people to local labor markets, the country knows little about how they work, what program characteristics promote success, under what circumstances they are effective, and what scale of benefits can be realized.”*

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## How Is the Report Structured?

This report is organized into eight chapters. Chapter 1 presents the motivation behind this study, describes the key questions addressed in the investigation, and defines employment linkage programs by presenting their common features. Chapter 2 provides a review of the importance of networks and the role they play in connecting outcomes for low-skilled job seekers and employers as well as the programs' impacts on larger institutional systems. Chapter 3 discusses common features of linkage programs. The next three chapters examine the impact linkage programs have had on job seekers, employers and on a locality's overall system of preparing people for jobs and meeting the employment needs of local business. Chapter 7 examines the internal and external factors that affect the performance levels of the linkage programs. The final

chapter includes a discussion of key issues that practitioners should consider in developing home-grown linkage models.

## Endnotes

<sup>1</sup> This phenomenon is evident among highly educated professionals who have difficulty adapting to successive generations of software programs that are constantly being upgraded and changed to make word processing more efficient.

<sup>2</sup> The one exception is the Federally-funded National Targeted Jobs Demonstration Program.

<sup>3</sup> Following a national search for linkage programs, we selected three which, each with nearly a decade of experience and operations at significant scale, seemed likely to contain a wealth of information about program design and implementation.



## Why Networks Are Important in Obtaining Jobs

Employment linkage programs perform a number of important functions in reconnecting inner city residents to mainstream labor markets. By combining these functions, linkage programs can have a powerful effect in improving employment prospects for people who desperately need jobs.

Most basically, linkage programs serve people who live in neighborhoods that are cut off from the informal word-of-mouth “grapevine” many employers use to recruit workers. Linkage programs provide a formal programmatic substitute that provides people with the information and contacts they need to find jobs.

Linkage programs also perform several other important functions in expanding employment opportunities. They:

- ◆ Give priority access to jobs to people who normally have a difficult time even being considered by employers.
- ◆ Begin to address bias and discrimination by requiring employers to consider candidates from racial, ethnic and other groups (such as the homeless) who are commonly discriminated against.
- ◆ Improve access to better-paid jobs that can help move people out of poverty and up a job ladder.
- ◆ Become a force for systemic changes and improvements in labor force preparation in low income neighborhoods.

Each of the three programs discussed in this report—JobNet in Portland, First Source in Berkeley and the Neighborhood Employment Network (NET) in Minneapolis—perform these functions in different ways and to varying extents. All five functions are integral to the impact of employment linkage programs. The importance of building networks will be highlighted in the following pages because it has often been overlooked in traditional approaches to employment and it is a unique advantage of employment linkage programs.

### Why Does High Unemployment Persist in Inner Cities?

Social scientists and urban researchers alike have described the concentration of high levels of joblessness and poverty as resulting from numerous causes. These include the overall lack of jobs in the inner city, the mismatch between the skills of inner city residents and the demands of the labor market, the physical distance between inner city neighborhoods and areas with job opportunities, the mismatch between personal attributes exhibited by inner city job seekers and the qualifications demanded by employers, and employer discrimination.

While each of these views offer explanations for at least some of the symptoms and causes of inner city joblessness—and by extension, increasing poverty—they do not provide a framework for understanding what it takes to be successful in reconnecting inner city residents to mainstream labor markets. There is little disagreement that one devastating result is the social and geographic distance between these neighborhoods and mainstream labor markets. Recent studies have underscored the increasing isolation of inner cities from mainstream labor markets. They have demonstrated the critical importance of providing a framework for understanding what it takes to be successful in reconnecting inner-city residents to mainstream labor markets.

Recent research suggests the importance of contacts and networks to successful entry into local labor markets, and conversely, the effects of limited contacts and eroded networks in furthering economic isolation in inner cities. Successful candidates must have not only the necessary skills, but also the job leads, referrals and references to specific employers (Howard 1992). They may even have access to often essential insider information on workplace culture, interviewing formats and questions, and tips on presentation and demeanor

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***“Recent studies have underscored the increasing isolation of inner cities from mainstream labor markets.”***

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when applying. Since success in pursuit of mainstream labor market opportunities is more than simply a function of skill levels, competitive candidates are those who—in addition to possessing the personal attributes, education and technical skills required in the marketplace—have the contacts and relationships with employers, trade union apprenticeship committees, or other recruitment and/or hiring sources.

## **Networks as Links to the Labor Market**

If “competitiveness” is a function of qualifications as well as contacts, then the structure and quality of those contacts are likely to influence greatly the quality of jobs for which a job seeker can compete successfully. There is a large body of economic and sociological literature describing the importance of personal and institutional networks in obtaining jobs. This literature supports the function of employment linkage programs in building networks or connections to sources of employment. Since employment linkage programs are essentially about rebuilding networks for low income communities, it is necessary to understand the important role networks play in assisting individuals in finding and landing jobs. Viewed in this context, linkage programs can be thought of as building the networks missing in low income neighborhoods.

Since the early 1930s, researchers have studied patterns of dissemination of information on job openings and the ways people acquire and use this information. These social scientists have generally concluded that obtaining a job is to a great extent a function of the quality of contacts job seekers maintain, and by extension, the quality of information they possess. For example, in a study on recruitment and hiring networks, Granovetter found that information travels among acquaintances through a web of contacts, though often by informal and sometimes circuitous routes. By plugging into one’s immediate contacts, one connects by

extension with the contacts’ network of contacts, and so on, in a series of concentric circles. The greater the number of concentric circles of contacts, the wider the net can be thrown, the greater the quality and quantity of job information obtained, and the better the chances for successful job outcomes (Granovetter 1974). In short, “the structure and dynamics of this network, though elusive and difficult to analyze, largely determine what information will reach a given person, and, to that extent, what possibilities will be open to him”<sup>1</sup>

(Granovetter 1974, 18).

## **Networks and Ethnic Niches**

Nowhere is the effectiveness of networks in job searches more apparent than in those organized along ethnic lines. Waldinger notes a long history of immigrant and ethnic groups’ use of networks to gain economic footholds, and to aid members to gain livelihoods.

*When looking for work the new arrivals may prefer an environment in which at least some faces are familiar; they may feel uncomfortable with, or be ineligible for, the institutionalized means of labor market support; and they are likely to find that personal contacts prove the most efficient way of finding a place to work. Thus, later arrivals pile up in those fields where the first settlers established an early beachhead. More important, the predilections of immigrants match the preferences of employers, who try to reproduce the characteristics of the workers they already have.*

*Recruiting among the relatives and friends of incumbents is the cheapest way of finding help. . .*

(Waldinger 1996, 21-22).

While in some contexts, ethnic-based networks have clearly positive outcomes for members, they may also represent equally powerful barriers for nonmembers. In Portland, Oregon’s construction industry, for instance, one trade union officer described the industry’s hiring patterns as functioning

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*“Nowhere is the effectiveness of networks in job searches more apparent than in those organized along ethnic lines, which have clearly positive outcomes for members. They also exclude those who are not members by denying them access to key information.”*

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like the “FBI—friends, brothers and in-laws.” In this way, such networks exclude those who are not members by denying them access to often tightly held information such as when apprenticeships are open, or which contractor was recently awarded a contract, and when hiring is likely to start.<sup>2</sup>

## How Networks Function

Networks can be envisioned as two-way high-ways along which information flows to job seekers in one direction, and applicants find pathways to employers in the other direction. In the process, networks serve three essential functions:

◆ **They provide job seekers with access to job information.** Through word-of-mouth information conveyed by people already employed, job seekers can obtain information on jobs that are not advertised to the public (Kasinitz and Rosenberg 1996). Because some industries rarely advertise, whole communities are at a disadvantage in being hired if no one from their network is already employed in the industry. Similarly, because some industries rely heavily on referrals for filling jobs, even if the job is advertised to the public, the lack of a personal referral will make it unlikely that a candidate responding to an advertisement will be hired. The type and quality of information are also important. “A friend gives more than a simple job description—he may also indicate if prospective workmates are congenial, if the boss is neurotic, and if the company is moving forward or stagnant.” (Granovetter 1974, 13).<sup>3</sup>

◆ **They provide sponsorship.** Employers usually view a recommendation from an existing employee as reliable, since employees are likely to refer people like themselves and have a lot at stake if the referral does not work out (Kasinitz and Rosenberg 1996, Rees 1966, and Kirschenman and Neckerman 1991). Once his or her referral is hired, the sponsor is likely to

teach the new employee how to survive on the job.<sup>4</sup>

◆ **They provide role models.** Finally, social networks provide successful role models of employed persons who can convey, through example, patterns of acceptable on-the-job behavior to other job seekers in their network (Kasinitz and Rosenberg 1996). Role models often act as translators of cultural norms (e.g., dress, appearance, language, timeliness, reliability, etc.).<sup>5</sup>

## Poor Quality Networks in Inner City Communities

A more pernicious effect of poor quality networks occurs over time. Once large scale unemployment in a neighborhood becomes intergenerational (i.e., is passed down through generations), residents and whole communities drop out of the information loop about job leads, qualifications, behavioral expectations and wage levels (Wilson 1987). Over time, the schools and job training programs responsible for preparing this workforce are similarly disconnected from the market. The result is that these institutions’ poor quality networks further disadvantage current and future generations. Social isolation and disconnection from the labor market seems to be self-perpetuating over time (Pastor and Robinson Adams 1995).

If personal contacts are so important to finding jobs, why do some individuals, communities and ethnic groups use them while others do not? Granovetter’s view that “some individuals have the right contacts, others do not” would apply adversely to inner city residents, particularly minorities. Individuals residing in a community with a high unemployment level have a much smaller pool of already-employed neighbors who might serve as sources of information and referral (Granovetter 1974). With few family members and

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*“Employers participating in employment linkage programs consider certain people for hire first. Pre-screened residents of targeted low income neighborhoods are the first, and sometimes only, candidates to submit their resumes, which gives them a substantial advantage.”*

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neighbors who are employed, job seekers from these communities lack the informal word-of-mouth referrals that neighborhoods with higher employment levels typically have (O'Regan and Quigley 1990).

In those communities or ethnic groups whose employed members are concentrated in low wage jobs, their networks will confine their neighbors or ethnic group members to similarly low quality job opportunities, thereby perpetuating their concentration in secondary labor markets (Pastor and Robinson Adams 1995). In these instances, ethnic groups can become stuck in ethnic niches which, though initially “beachheads” of economic opportunity, become low-wage labor market segments in which they may languish.

Job access is more than a personal pursuit. While friendship and familial connections to specific employers are important in job searches, institutional relationships also play a role in individual job seeker competitiveness (Howard 1992). Since being competitive in the information age is also a function of access to essential but scarce resources (good basic education and high quality, up-to-date training for eventual employment in a given industry), the quality of these institutions is often a reflection of the quality of their relationships with employers. These preparatory institutions come with their own entry requirements, traditional sources of recruitment, training program, course selections (which may or may not be well tailored to demand), and varying qualities of counseling and job leads. Training institutions can represent either significant competitive advantages to those able to gain access to well-connected institutions, or equally great competitive disadvantages to those unable to gain entry or stuck in less well-connected educational or training programs using out-of-date technologies or curricula. For some communities (both geographic and ethnic), the ability of their educational and training institutions to coordinate programs in ways that help residents acquire useful educational and training credentials is likely to be a

major determinant of competitiveness in pursuit of employment opportunities.

In short, rather than a “free market” or level playing field where jobs go simply to the best qualified, the reality is that persons with contacts and relationships, and whose communities are served by educational and training institutions with close relationships with employers, are likely to be more competitive in pursuit of work (Howard 1992).

## **Beyond Information and Networks**

Linkage programs typically do more than simply provide information on current job openings. They serve as mechanisms through which job seekers are referred, or they sponsor referrals, though these functions alone would be unlikely to justify their existence. Equally important is the extent to which “linkage networks” result in a restructuring of relationships so that institutions serving underserved populations become more consistently successful performers in their efforts to prepare and place clients. It is in this restructuring of relationships that the employment linkage programs address the issues of priority access, discrimination/bias, improved access to better-paid jobs, and systemic changes.

Priority access refers to the requirement that employers participating in employment linkage programs consider certain people for hire first. This important step in opening up jobs to low income, low-skilled job seekers is distinct from merely letting people know that these jobs are available. The formal agreements entered into by participating employers can have a strong impact in this area. Pre-screened residents of targeted low income neighborhoods are the first, and sometimes only, candidates to submit their resumes, which gives them a substantial advantage they would otherwise not have.



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*“Employment linkage programs try to improve job seekers’ information about and access to better-paid jobs as well as to jobs that provide a secure step onto a job ladder.”*

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Employer bias is another factor that often knocks low income, inner city job seekers out of consideration for jobs. Whether the bias is based on race, ethnic group, place of residence, personal history, or some other attribute, the effect is that large numbers of potential workers do not have an equal chance at securing certain jobs. By requiring employers to consider qualified candidates from groups against whom the employer may have some bias, linkage programs provide opportunities, over time, for the breaking down of stereotypes and lessening of employer bias.

Of course, not all jobs pay well, and not all entry-level jobs provide the kind of skills training that can lead workers to better jobs. Employment linkage programs try to improve job seekers’ information about and access to better-paid jobs (including those with fringe benefits) as well as to jobs that provide a secure step onto a job ladder leading to increasing responsibility and compensation.

As linkage programs are implemented, it often becomes clear to employers, employment service providers and training institutions that changes are needed in the infrastructure that prepares and trains job seekers to truly meet the needs of employers and workers. Taking advantage of information generated by the linkage program—where the jobs are, what skills are needed, the adequacy of training programs, what is needed to retain workers, how well employers and agencies are living up to their responsibilities—advocates and policymakers can begin to address wider workforce preparation issues.

## Supply- and Demand-Driven Systems

The employment linkage programs we studied are generally either demand-driven systems or supply-driven systems. Demand-driven refers to *demand for workers* and supply-driven refers to *supply of workers*. Portland’s program, for example,

is “demand-driven” in that it is based on creating an increased demand for workers from targeted neighborhoods and populations. This *demand* is created by providing preferential access to particular jobs in the private sector, particularly those which are in businesses that receive public subsidies.

In contrast, Minneapolis now relies on a “supply-driven” approach. With low rates of unemployment, the Minneapolis program increases the hiring of disadvantaged people by creating linkages and services that give employers easier access to a larger *supply* of quality job applicants.

Berkeley’s program falls in between. The program creates a demand for workers through its business assistance package, while it also works with community agencies to provide a supply of residents who are appropriate to the job.

## Endnotes

<sup>1</sup> Networks appear to be of particular importance to those seeking their first work experiences. Although Granovetter’s research focused on how males in technical, professional and managerial positions learned about and gained jobs, his findings are similar to those found for blue-collar workers. Those studies “have uniformly shown that personal contacts are particularly important to individuals in the early stages of their career, especially in finding one’s first job” (Granovetter 1974, 18). Other studies have found that personal or informal networks are more often used by young workers, less educated workers and blue-collar workers (Corcoran et al. 1980). For example, Newman and Lennon found, in research on the low-wage labor market in Harlem, that “contacts are important even in the minimum wage, low-skilled sector of the economy” (Newman and Lennon 1995, 8). The authors conclude that in markets with an oversupply of labor “possession of a functional social network will advantage job seekers, while the absence of this resource will handicap applicants.”

<sup>2</sup> There are many examples of ethnic networks resulting in ethnic niches that restrict or limit access to all but a relatively few communities or ethnic groups. Construc-

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*“In southern California, it is not uncommon to find firms with an entire immigrant workforce that not only comes from one Asian or Latin American country, but also from the same province and even the same city.”*

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tion trades in most northeastern and Midwestern cities and waste management in California are prime ones. Notably, when faced with charges of discrimination against underrepresented groups, network members are quick to note that the composition of the workforce is more a legacy of historical hiring patterns favoring groups already well represented than it is a reflection of intentional exclusion of other groups. Either way, the result is considerable advantage to some, and exclusion of others. The construction trades apprenticeship system in most cities is a particularly sophisticated manifestation of discrimination that, ostensibly, is by virtue of tradition rather than intentional exclusion. One might think of them as being so effective in recruiting their own that in the process they “unintentionally” exclude everyone else.

<sup>3</sup> Personal contacts can convey important information about work environments, employer expectations, wage levels and benefit packages. Job seekers can use this

kind of information to decide whether there might be an appropriate fit between them and the position (Corcoran et al. 1980).

<sup>4</sup> Sponsorship can be such a powerful source of employment referrals that in southern California, for example, it is not uncommon to find firms with an entire immigrant workforce that not only comes from one Asian or Latin American country, but also from the same province and even the same city within the country of origin.

<sup>5</sup> By extension, the absence of role models to provide lessons or warn against inappropriate behavior, can result in a significant percentage of residents in a community assuming patterns of behavior that work against their ability to be successful in the labor market (Wilson 1987). In these cases, there may be reverse network effects, in which employers or employee contacts ascribe negative behavioral traits to all members of a particular group or community network.

# 3

## Common Features of Linkage Programs

This report focuses on employment linkage programs in three cities: First Source in Berkeley, California, JobNet in Portland, Oregon, and NET in Minneapolis, Minnesota.<sup>1</sup> The sites vary in program design, employer incentives and the number and type of collaborating institutions with which they work, but they shared three general features that characterize linkage programs. They create formal and informal ties to employers, shared access to timely information on job opportunities, and establish formal mechanisms for referring and placing job seekers. Figure 1 provides a graphic representation of the general features of linkage models studied.

### Finding Incentives that Bring Employers to the Table

Linkage programs typically use some form of incentive to bring employers to the table. In Portland and Berkeley, local government uses fiscal and zoning power such as the provision of tax abatements and business loan incentives (Portland) or conditional use and building permits

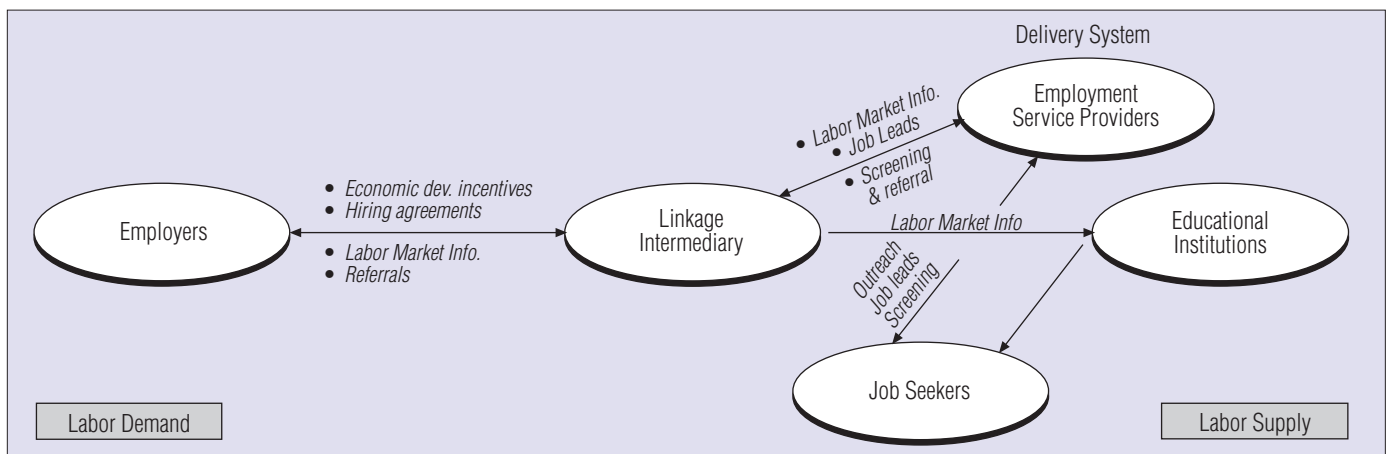
(Berkeley) to establish relationships with employers. In Minneapolis, the incentive at present is the labor shortage in a time of low unemployment.

#### 1. Portland's JobNet: Economic Development Incentives as Leverage

Portland's linkage program leverages employment participation through the use of development incentives, such as tax abatements, relocation and land assembly assistance, or financing (small business loans). These arrangements are available both to firms that relocate to Portland and existing firms planning to expand within the city. Any business receiving a loan, property tax exemption or assistance with land assembly, and which will create more than five jobs during a three-year period, is required to sign a linkage agreement that typically runs for three to five years.

During the 1994-95 fiscal year, the Portland Development Commission (PDC), the City's redevelopment agency which manages the program, used its fiscal powers to waive approximately \$1.1 million in property taxes, and provided approxi-

**Figure 1**  
**COMMON FEATURES OF LINKAGE MODELS**



## JOBNET — PORTLAND, OREGON

**History:** The City of Portland has the longest standing employment linkage program in the country. Conceived in 1978 by Portland's mayor, First Source was the first program of its kind in which a local government linked its provision of economic development incentives or subsidies to preferential hiring of city residents. The linkage program, now entering its eighteenth year, was renamed and redesigned in 1989 and is now called JobNet.

**Lead Agency:** JobNet is administered out of the Workforce and Targeted Industries Department (WTID), housed within the Portland Development Commission (PDC). PDC is a quasi-governmental agency responsible for overseeing the city's economic development, redevelopment and workforce development projects and programs. In 1989 PDC took over the responsibilities for administering the City of Portland's First Source Program, and "first source" was changed to refer to the contractual agreements and "JobNet," was established to administer first source agreements.

**Source of Leverage:** PDC uses economic development incentives as the tool to motivate firms to expand, remain in, or move to the Portland area. Incentives such as tax abatements, relocation assistance and financing (small business loans and revenue bonds) are available to firms. Counties within the Portland region also provide tax abatements through the Strategic Investment Program (SIP) to firms. Firms taking advantage of this program are also required to sign first source agreements which are administered by JobNet. The typical agreement lasts between three and five years, approximately the duration of the economic development benefit.

**Type of Linkage:** To assure that firms receiving economic development benefits give first priority consideration to hiring local residents, PDC requires firms to sign a first source agreement. Employers who sign first source agreements are mandated to: 1) make information on job openings in "covered positions" available exclusively to JobNet; 2) consider hiring from the pool of candidates referred by JobNet; and 3) make available quarterly summaries of its hiring activity to JobNet. Covered positions are defined during contract negotiations and generally refer to jobs in entry-level positions. Accordingly, covered positions, whether available due to new job creation, attrition, or staff turnover, must all be advertised with the JobNet office. JobNet also administers first source agreements for the State of Oregon related to state loans and enterprise zone projects. First source firms within the enterprise zone

are required to: hire a certain percentage of workers through JobNet; have an overall percentage of its hires from among Portland residents; and demonstrate retention of hires over the abatement

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*“Linkage programs typically use some form of incentive to bring employers to the table.”*

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mately \$1.2 million in loans to private firms. Since 1989, a total of 77 first source agreements have been executed by PDC, and with 14 new companies signing on in fiscal year 1994-95, the agency oversaw 44 active agreements during this 12-month period.

In return for financing and abatements, the PDC requires each employer to use the linkage network—JobNet (described below)—as its sole source for specific entry-level positions. Employers receiving economic development incentives must agree to consider hiring residents from the JobNet referral system. For businesses located in the enterprise zone, employers must also demonstrate that a certain percentage of the people they hire through JobNet have been retained in their positions for two years. Failure to comply with the conditions outlined in the agreement can result in severe financial penalties including demanding that the employer repay the loan or pay damages, or withdrawing the tax abatement.

Employers are initially motivated to cooperate in order to obtain the financial incentives. In addition, JobNet staff work hard to market the quality of its workforce and its employment services as value-added incentives, giving Portland a comparative advantage over other locations.

## 2. Berkeley's First Source: Real Estate Development Incentives as Leverage

Berkeley's First Source program uses a combination of zoning and contracting powers, and occasionally the provision of financing, as leverage to gain employer participation in its First Source hiring program. Each time an employer seeks a zoning variance, conditional use permit, or small business loan, city staff use the opportunity to encourage or require participation in First Source.

Three types of activities can trigger negotiations over and eventual signing of a First Source agree-

ment: new non-residential real estate development of more than 7,500 square feet; city public works contracts more than \$100,000; or any loan commitment from one of four city loan, industrial revenue bond financing, or local facade grant programs. Under the agreements, both construction jobs and long-term employment in businesses which occupy the developments are subject to first source mandates.

Mandatory participation is a complicated notion. Berkeley's First Source agreements serve primarily to introduce employers to the employment issue and to create ongoing relationships with them. While the agreements contain legally enforceable provisions, they do not include formal mechanisms for monitoring performance or leveling penalties for noncompliance. The responsibility for maintaining relationships between first source employers is left to city staff, leaving the onus on staff to follow-up with employers when jobs become available, rather than on employers to notify staff. The effectiveness of the program arises more from the quality of services provided and the strength of the employment preparation system than from mandatory or legally enforceable employer participation.

## 3. Minneapolis' Neighborhood Employment Network: Labor Shortages as Leverage

Over the past few years, Minneapolis' unemployment rate has hovered around three percent, resulting in fierce competition among employers for entry-level workers. Although the program was initially established as a formal first source program that mandated participation, the need for legally enforceable mandates has been eliminated due to two factors. First, there has been a decline in redevelopment dollars that were the source of development incentives to employers. Second, the city has had a shortage of labor, making it one of the tightest labor markets in the country. Therefore, city

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*“In Berkeley, each time an employer seeks a zoning variance, conditional use permit or small business loan, city staff use the opportunity to encourage or require participation in First Source.”*

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and local organizations quickly saw much more to be gained by a voluntary system in which employers would be motivated by their difficulty in finding workers.

The “incentive” used by the Neighborhood Employment Network (NET) is simply the quality of service provided to employers, namely a flow of high quality job candidates at low costs. The result, at least under current market conditions, is a voluntary linkage program whose influence emanates from highly motivated employers which are served by a high quality linkage broker—one that greatly improves the flow of information on job openings and is able to assure a flow of job seekers that would not otherwise be available to hungry employers.

The three programs share an important similarity: none relies solely on formal or legal mandates as the primary means to keep employers engaged. Staff of the programs noted that without levers of some sort, they would have had greater difficulty gaining the initial attention of employers, and a harder time still convincing them to use their referral services. However, rather than using the leverage to “force” employers to hire their referrals, all seek to maintain employers as repeat customers by providing high quality screening and referral services—a win-win for both employers and job seekers.

For instance, in Portland, the city that invented first source hiring, staff are convinced that the agreements are critical to their ability to get employers to take them seriously, especially initially. Even with legally enforceable agreements—Portland has the closest monitoring, strongest enforcement and most severe penalties of the three—PDC staff contend that the high quality service they provide employers is essential to their success in producing such a high volume and quality of job outcomes for their less skilled clients.

## **Providing Critical Early Information on What Employers Are Seeking**

Effective linkage programs provide information about more than specific job openings. They also provide broader understandings about how labor markets operate, whom employers view as the most capable employment trainers, what kinds of people they are looking for, which skills are hot and who makes hiring decisions. In addition, they can provide information about economic and technological trends which will have an impact on future job demand. In short, an effective linkage program will convey a quality of information that helps connect its constituency to current job demand, giving individuals, and the training institutions that serve them, competitive advantages in pursuit of future job demand.

Managing information well is the critical brokerage function. Particularly critical is how quickly the program can acquire and disseminate information on job openings to the referral agencies. Quality brokering includes providing general information on individual job openings and also aggregating job information to gain a broader understanding of employer needs. To gain this broader understanding, the programs maintain relationships with personnel departments of participating employers.

In some cases the relationship begins long before a relocating or expanding firm is ready to hire workers. In Portland, for instance, JobNet staff are included in initial negotiating teams, affording them an early opportunity to learn a great deal about a firm which is moving to the area or expanding, including its production or service processes, projected hiring needs and schedules, job categories, skill requirements and wage scale. As a result, program staff may also discover information on training needs for emerging occupations which they can use to communicate and translate into skills train-

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*“Effective linkage programs must do more than acquire and disseminate information on job openings. They must also convey information that helps connect their constituency to current job demand and anticipate future job demand.”*

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ing for the educational institutions which prepare successive generations of job seekers.

In all three cities, the flow of information between labor demand and supply is managed by a central broker intermediary. Each program uses different methods for obtaining and distributing information about job openings to partners and individual job seekers. Despite the different mechanisms, each program has established formal information management units that house staff who are solely responsible for managing the daily program operations. In Portland's and Berkeley's programs, these duties reside within local government. In the Minneapolis program, the information management function is housed within a partnership agency that works on behalf of all the partners. Despite the differences in structure and location, they each work hard at maintaining and improving the acquisition and dissemination of timely and accurate information to sources of job candidates and training providers.

### 1. Portland's JobNet: Brokering Information on Current and Future Labor Demand

In Portland, information on job openings with first source employers is managed by JobNet, which is a city agency. Information dissemination occurs well before employers have job openings. During first source hiring agreement negotiations, city staff work with the employer to identify entry-level employment positions that staff believe can be filled by the city's linkage program, given the skill levels of the regional labor force. Often, staff deal with employers setting up new operations in Portland, creating large numbers of openings at the same time. Once identified these positions are labeled "covered positions" for purposes of the hiring contract, meaning that JobNet gets first crack at referring candidates. During contract negotiations staff obtain information on the employer's anticipated hiring schedule, the likely number of positions and the contact names of personnel staff

responsible for hiring. This critical information gives partners extra time to prepare their clients for referral. In anticipation of future hiring, staff then work with partner agencies at the community level to ensure that residents are identified as candidates ahead of schedule.

An important feature of JobNet's information system is that employers bound by first source agreements must advertise covered positions exclusively with JobNet. During the period specified in the agreement, employers are not allowed to place concurrent ads in newspapers or on electronic bulletin boards available to the general public. Only if a covered job remains unfilled after a specified period of time can the company advertise it to the general public. By controlling the flow of information in this fashion, Portland effectively creates an internal labor market for its low income populations.

### 2. Berkeley's First Source: Staff-Managed Information Exchange

In Berkeley, job information and referrals are handled by the First Source Office. As in Portland, employers are contractually obligated to contact the linkage office when job openings become available. First Source, however, covers jobs with many employers who have small numbers of openings over the long period of time of program coverage. As employers' own contact people change and the first source agreement fades in institutional memory or priority, First Source staff must ferret out job leads. They must repeatedly contact the business to inquire about potential job openings. In this respect, the program relies on the finesse of staff in aggressively pursuing information on job openings and efficiently disseminating that information to community organizations that serve low income residents. Limited staff size has often prevented follow-up activity from being as regular and systematic as would be ideal.

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*“First Source primarily draws candidates from a collaborative composed of 20 local job training and placement agencies serving low income communities.”*

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## FIRST SOURCE — BERKELEY, CALIFORNIA

**History:** Created by the city's Office of Economic Development (OED) in 1986, First Source was modeled after other public sector linkage programs. The First Source program was developed in conjunction with the then new OED to meet the dual challenge of furthering both economic and social goals related to poverty alleviation. In setting up First Source as one of the city's first economic development programs, OED sought to connect job creation with local residents, particularly unemployed and underemployed people, minorities, women, youth, disabled people and other under represented segments of the workforce.

**Lead Agency:** Until recently, city staff responsible for administering the linkage program were housed within OED. Today First Source resides as a division within the city's Health and Human Services Department. First Source is administered by four staff members who work closely with OED and other city departments that oversee economic development and construction activities.

**Sources of Leverage:** Each time OED has access to an employer via permitting assistance, financing, or small business assistance, staff encourage or require participation in First Source. An unusual leverage tool used by Berkeley is zoning and permitting. In Berkeley many actions require approval of discretionary use permits and businesses that apply for such permits are required to sign first source agreements. Participation in First Source is mandated for new, non-residential real estate development more than 7,500 square feet as a condition for project/permit approval. The developer's commitment to First Source includes both construction jobs and jobs in the businesses that then occupy the project (if they have five or more employees). In addition, any loan commitment from one of four city loan programs, industrial revenue bond financing and local facade grant approvals require the recipient to execute a first source agreement. First source is required as a condition for city public works contracts more than \$100,000. Similarly, first source agreements are included in the Redevelopment Agency's leases and Disposition and Developer Agreements.

**Type of Linkage:** While the city gains access to employers via the leverage they exercise when employers receive economic or permitting assistance, city staff spend a limited amount of time monitoring or en-

forcing agreements. The city does have the authority to revoke permits and cancel loans if employers do not show a good faith effort to hire from First Source's applicant pool, but staff place less emphasis on exercising this option. First source agreements in Berkeley thus become quasi "voluntary" in nature since staff place more attention on providing a useful service to employers as a way of obtaining their continued participation. The exception is with developer agreements where economic development staff are more aggressive in making sure the signatories to these agreements are in compliance. Agreements are effective through the life of the business.

**Who Served:** First Source makes a strong effort to target residents from South and West Berkeley, two neighborhoods with the highest levels of unemployed and low income minority residents. However, First Source is available to every Berkeley resident regardless of socioeconomic or demographic status.

**Outcomes:** Since program inception, First Source has helped place 2,344 residents in jobs, for an average of 234 people per year. In fiscal year 1995-96, 259 people were placed. Minorities and low income residents comprised 78 and 61.4 percent of total placements, respectively. African Americans comprised 59 percent of all placements and African American males, a group with disproportionately high levels of unemployment, accounted for one out of every three people placed. Homeless people were also well represented among people placed as they made up 16 percent of all placements in 1994. In 1995-96 the median wage of First Source placements was \$8.57 per hour and 73 percent of all placements found full-time jobs.

**Delivery System:** First Source primarily draws candidates from a collaborative composed of 20 local job training and placement agencies serving low income communities. These providers play a critical role in recruiting and preparing people with little or no skill or work experience to enter the labor market. An important step is underway, led by city staff and a local foundation, to examine and then improve the job training system in the local area. By identifying and coordinating linkages between academia, training entities, businesses and funding sources, First Source plans to help local employment programs' align training curricula to jobs in demand in the local labor market.



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***“Minneapolis NET oversees a sophisticated computer database to track and disseminate job leads. Partners gain instant access to 100-200 new job listings daily.”***

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### 3. Minneapolis NET:

#### An Employment Information System

In Minneapolis, information dissemination is managed by HIRED, a NET affiliate that operates a sophisticated computer database to track and disseminate job leads. With software developed by HIRED and an advanced computer system, partners gain instant access to 100-200 new job listings on a daily basis. Whereas in the past, each agency hired job developers to track down job leads and work with clients, the entire network is now served by two full-time job developers dedicated to calling employers for job leads. By centralizing these functions, 11 agencies have access to substantially more position announcements than in the past. Furthermore, there is now an extremely rapid process for getting the listing from the employer, posting it on the network and sharing it with network members.

### **Linking Information About Jobs With People Seeking Jobs**

In describing linkage mechanisms, there is a distinction between the role of the broker intermediary and the referral network. The *broker intermediary* generally manages the information system and “brokers” relationships between employers, other public institutions and private employment training and service providers. The *referral network*, composed of employment placement and training agencies, educational institutions and service providers, uses the information to assess, prepare and refer candidates for employment. Together, the broker intermediary and the referral network perform the two most essential functions of linkage programs—managing the flow of job information in one direction and initiating the flow of candidates to the jobs in the other.

A strong broker intermediary that receives and disseminates good quality information, matched with a competent referral network that serves targeted disadvantaged populations, is likely to make

these populations more “competitive” in pursuing employment than would otherwise be the case. By connecting these previously unconnected populations to the labor market, the linkage program begins to emulate the formal and informal recruitment and hiring networks that operate in more economically viable communities. By maintaining the quality of the matches, the program earns the ability to continue expanding connections with employers.

Three quality control measures are critical to success. One is assuring the timeliness, accuracy and quality of job listings, thereby giving the referral network preferential access and a competitive advantage in filling positions. The second is assuring the quality of screening and the appropriateness of the match between the referred candidate and the job. The third is assuring that the program gives priority access to people who ordinarily have a difficult time in being considered for jobs and making sure that employment training providers are able to deliver a supply of work-ready job candidates from the targeted population.

Each of the linkage programs operates differently with respect to their brokerage and referral functions.

#### 1. Portland’s JobNet:

##### Brokering Information on Current and Future Labor Demand

Portland’s JobNet is a unit of the Workforce and Targeted Industries Department of the Portland Development Commission, the equivalent of the local redevelopment agency. JobNet manages the entire linkage system, from participation in early negotiations with prospective employers, to managing the flow of job information through the system, to screening and quality control of candidates referred from the network. JobNet, staffed by 5.75 full-time equivalent staff members, is linked with 218 educational and community agencies, of which

## NEIGHBORHOOD EMPLOYMENT NETWORK (NET) — MINNEAPOLIS, MINNESOTA

**History:** Minneapolis' employment linkage program, established in 1981, grew out of the work of a mayoral-appointed task force comprising 40 business and community leaders. The task force proposed two program recommendations: the establishment of the city's first source program and the Neighborhood Employment Network (NET). The city's first source hiring program was developed as a method of formalizing the link between businesses receiving public subsidies and low income residents needing jobs. Concurrent with the creation of the city's linkage program, NET (a collaborative of community service providers, each serving a different low income neighborhood), was established as a decentralized delivery system where employment and related services could be accessed by low income residents from the neighborhoods. To assure and maintain the link between community service providers, employers and the city, a separate nonprofit intermediary was developed and staffed by a facilitator. This facilitator came to be known as the NET Director, and his primary role was to staff and maintain the NET collaborative. The community service providers became known as NET affiliates. Over the years as the NET collaborative became a strong service delivery system which built relationships with employers and provided training and placement services to low income residents, the city's employment linkage program declined in importance. Although the city's linkage program is still operating, this report focuses on the NET collaborative as a distinctive employment linkage model.

**Lead Agency:** The NET Director, who is the staff of the NET collaborative is housed in an independent nonprofit organization located in the Mayor's office. The NET office has a staff of one, and its funds are raised from the private sector. As staff to the collaborative, the NET Director assumes four main roles in his capacity as the collaborative facilitator: 1) staff and coach, 2) fundraiser, 3) technical assistance provider and program developer and 4) networker with large companies.

**Sources of Leverage:** Initially, NET affiliates were provided leverage through the city's redevelopment agency which required employers to sign first source agreements when they obtained redevelopment financing assistance. Over the successive phases of the city's first source program, the leverage exercised over employers has waned because redevelopment financing is not as abundant as it had previously been. Today, labor shortages and pre-established employer relationships drive NET affiliates' influence with employers. With a strong local economy and a shortage of workers, employers are motivated to advertise and work with NET affiliates to find qualified entry-level workers.

**Type of Linkage:** NET affiliates rely on an extensive computerized database of job listings to obtain information on job openings with employers. This database, called JOB LINK, is managed by one of the NET affiliates and is accessible to every employment and training agency in the city. By downloading the job listings data into their computer terminals in their neighborhood offices, NET affiliates receive close to 200 new listings on a daily basis. Although access to timely information has now been addressed, the NET affiliates still rely on their relationships with employers to help place people.

**Who Served:** NET affiliates, funded primarily through JTPA and CDBG monies, work exclusively with economically disadvantaged Minneapolis residents. JTPA and CDBG funding eligibility requirements vary, but generally the NET affiliates target low income residents who face multiple barriers to employment.

**Outcomes:** Since program inception in 1984, NET affiliates on average have placed 1,270 economically disadvantaged people in jobs per year for a total of 15,247. In fiscal year 1995-96, the affiliates assisted 1,706 residents in finding employment. African American males accounted for the single largest group placed making up 36.4 percent (or 621) of the total. In general, while African Americans comprise a small percentage of Minneapolis labor force (9.3 percent) they constituted 58.6 percent of all people placed. The median wage level across all placements in fiscal year 1995-96 was \$7.00 per hour and the majority (88 percent) of placements found full-time jobs.

**Delivery System:** Eleven service providers located in different low income neighborhoods comprise the NET delivery system. The providers (NET affiliates) are independent nonprofit organizations, but they fundraise collectively for public monies. Joint fundraising, performed by the NET Director, serves the dual purpose of reducing individual staff time associated with this task as well as raising the individual performance of each agency. Since continued JTPA and CDBG funding is dependent on the past performance of the collaborative, the NET affiliates work hard to ensure that they perform at acceptable standards. Affiliates benefit in other ways from participating in the collaborative. When new programs are conceived and launched, affiliates benefit from obtaining peer input and participation. Moreover, if problems arise back at the shop, NET affiliates spend time in their collaborative meetings problem solving. NET meetings are also used to discuss clients, share job leads and discuss new developments in their field. The value-added received by agencies which participate in this collaboration have tangible impacts on the quality of the service the affiliates provide residents of their neighborhood.

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*“Portland’s JobNet manages the entire linkage system, from participation in early negotiations with prospective employers, to managing the flow of job information through the system, to screening candidates referred from the network.”*

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six to 10 are particularly important, active and effective partners.

All 218 agencies are sent or faxed job listings or notices when hiring is anticipated. In cases of mass hiring, JobNet staff work with a smaller group of agencies, and organize orientation sessions with the employer to review job qualifications, hiring schedules, wage levels and the more subtle personal characteristics which they seek. During these sessions, JobNet and the employer establish procedures and schedules for screening and referring potential applicants.

Notably, because of the large number of participating network partners, direct access to employers is limited to those invited by JobNet to orientations or other meetings with employers. This limitation is necessary because it is impossible for an employer to meet with representatives from a large number of all 218 JobNet partners. The result is that many of the primarily community-based partners do not benefit from direct employer contacts. This limits their ability to gain first-hand knowledge of workplace expectations and hiring trends. Consequently, because JobNet is the translator of labor market information for partners, the quality of the system’s operation rests on the quality of JobNet’s analysis and dissemination of emerging labor market needs. Education and training programs need this critical information to redesign curricula and programs accordingly.

## 2. Berkeley’s First Source: Staff-Managed Information Exchange

Berkeley’s First Source was a unit of the City’s Office of Economic Development until it recently was shifted to the Department of Health and Human Services. First Source has three full-time staff members who manage information flow, organize and maintain the local referral network, provide quality control for most referred candidates and also do some direct intake of job seekers. The unit

is a true “broker” in that, with limited formal powers under the city’s first source agreements, its real power derives from the quality of information obtained and disseminated as well as the quality of match services provided to the 20 educational and employment training members of the Berkeley Training and Employment Collaborative (BTEC) that collaborate with First Source.

After an employer informs First Source of a job opening, First Source staff post the announcement in the office and then fax it to the members of the BTEC. The educational and employment organizations of the BTEC then work with clients to assess skills, work experience and qualifications for the job. Appropriate candidates are referred to First Source for final testing, screening and possible referral.

BTEC was established by First Source in order to increase the quality of referred candidates and make the dissemination of information gathered from employers more systematic. The collaborative meets periodically to discuss problems related to information dissemination, talk about procedures for screening and referring residents and review employers’ workforce needs. Though the collaborative is still working to overcome turf issues and other problems among the members, the City expects to be able to develop a more cohesive delivery system that will result in stronger services to low income job seekers and still more success in placements with first source employers.

## 3. Minneapolis NET: An Employment Information System

Minneapolis’ NET is still another type of linkage mechanism. NET combines a sophisticated computer database network with a well-established and formal collaboration of neighborhood agencies that serve 11 low income neighborhoods in the central city and the suburbs. These agencies, called job bank affiliates, are formally known as the Neigh-

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*“Minneapolis’ NET combines a sophisticated computer database network with a well-established and formal collaboration of neighborhood agencies that serve 11 low income neighborhoods.”*

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neighborhood Employment Network (NET), from which the entire system derives its name. NET job banks meet twice monthly as a collaborative, but receive job listings daily through their joint computer network. The job leads come into either NET or any of the affiliates and are then shared with all 11 affiliates.

As a measure of the program’s cohesion and continuity, the NET collaborative has been staffed by the same person since it was established in 1981. The NET Director is the “glue” that maintains the collaborative and ensures its continuity. He is assisted by staff in one of the job banks where three full-time computer technicians manage the job listing database and two job developers work full-time developing job leads. On an operational basis, the collaborative members share job leads, troubleshoot when problems arise, develop new programs and are in constant communication with each other in person or through their well-maintained computer network. The computer system provides critical information for program development by NET’s members. For example, it aggregates information on patterns of job placement by firms receiving public benefits, placement by race

and gender, and the extent to which lack of access to transportation or day care are constraints to placements. If Portland’s JobNet could be described as an agreement-driven linkage program, NET could be described as an information-driven system.

In contrast to the programs in Portland and Berkeley, in which the city-based linkage manager is responsible for quality control screening before candidates are referred to employers, Minneapolis’ NET job bank affiliates recruit, screen and refer candidates directly to employers. Quality control is maintained by the individual agencies and placement is followed up with trouble shooting if problems arise. There is considerable peer pressure among the partners to refer only good matches in order to retain employers’ credibility in the whole network.

## **Endnotes**

<sup>1</sup> The Center has prepared detailed case studies on the Berkeley, Portland and Minneapolis studies. For copies, please contact the Center.

# 4

## Have the Programs Helped Job Seekers?

In the next three chapters, we examine the impact of employment linkage programs on job seekers, employers and the greater employment and training systems in each city. The research team sought to answer four main questions:

1. How effective are employment linkage programs at helping disadvantaged, low income people find quality jobs?
2. To what extent does the program help employers find qualified workers and lower costs?
3. What broader systemic impact has the program had on the greater employment and training systems in Berkeley, Minneapolis and Portland?
4. How cost effective are the programs?

### Impacts on Entry-level Job Seekers

In this section we assess how successful the linkage programs have been at helping low income people—particularly residents from targeted neighborhoods and groups experiencing high rates of unemployment—find jobs. We analyzed placements using a variety of indicators (gender, ethnicity, income levels, education levels, etc.) to find out who

benefits from the program. In all three cities, we used race/ethnicity as a proxy for disadvantage, since in each city a disproportionate number of minorities are unemployed and low income.<sup>1</sup>

In addition, we examined the quality of jobs found through the service. The study used six indicators for job quality: starting wages, benefits, full or part-time status, permanent or temporary status, retention and possibility for advancement. We assessed the extent to which the programs were able to link people to primary sector jobs offering fringe benefits and full-time stable work. We also examined wage levels and retention rates and compared them to similar types of programs as well as market levels. We also attempted to assess the potential of linkage programs to raise appreciably the incomes or living standards of those placed.

### 1. Placement

***FINDING: Linkage programs were successful in leveraging job opportunities in the private sector for large numbers of job seekers.***

All three programs have been in existence for a number of years, brokering employment for thou-

**Table 1  
PLACEMENTS**

	<b>Berkeley FY 1995–96</b>	<b>Minneapolis FY 1995–96</b>	<b>Portland FY 1994–95</b>
Total Placements Since Program Began	2,344	15,274	5,123
Annual Placements	259	1,706	1,235
Number of Unemployed	3,362	12,111	14,718
Placements as a Percentage of Unemployed	8%	14%	8%

Source: 1990 U.S. Census and Linkage Agencies

**“Each city annually placed sizable portions of unemployed residents through linkage programs. Berkeley and Portland placed approximately 8 percent of the city’s unemployed. Minneapolis placed 14 percent.”**

sands of disadvantaged job seekers. Since Berkeley’s First Source Employment Program’s beginning in 1986, 2,344 placements were made.<sup>2</sup> In Minneapolis, the 11 NET member organizations report a total of 15,274 placements over its 12-year history, beginning in 1984. Since the advent of Portland’s JobNet in 1989, 5,123 placements were made. Annual placements range from the 259 in the smaller city of Berkeley to 1,706 in Minneapolis.

To put these figures in perspective, each city annually placed sizable portions of unemployed residents through linkage programs. As shown in Table #2, both Berkeley and Portland placed approximately 8 percent of the city’s unemployed. Minneapolis placed 14 percent. If all linkage pro-

gram placements are unemployed people, then a significant segment of area unemployment is being addressed by each of these programs.

***FINDING: All three programs placed racial and ethnic minorities in jobs at twice to three times their representation in the workforce. Minority groups with relatively high unemployment rates, such as African and Native Americans, were particularly well served by the programs.***

As shown in Table #2, all three programs placed members of minority groups at percentages much greater than their respective representation in the overall workforce. For example, in FY 1994-95, 42

**Table 2  
PLACEMENTS BY RACE**

	Berkeley FY 1995-96		Minneapolis FY 1995-96		Portland FY 1994-95	
	Placements	Total Workforce	Placements*	Total Workforce	Placements	Total Workforce
Total Minority	78% (201)	36%	80% (1,364)	15.7%	41.8% (516)	15.5%
Asian	5% (13)	13%	7.4% (126)	2.7%	13.3% (169)	5.0%
African American	53% (137)	14%	58.6% (999)	9.3%	18.8% (232)	6.3%
Latino	20% (51)	8%	2.6% (144)	1.8%	8.2% (101)	3.0%
Native American	<1% (1)	<1%	11.4% (195)	1.9%	1.5% (19)	1.1%
White	22% (57)	64%	19.9% (339)	83.5% (175,453)	56.3% (695)	84.4%

\*Minneapolis NET collects demographic characteristics for about 88 percent of its total placements and applies it to all of its placements.

Source: 1990 U.S. Census

*“The programs have been especially successful at targeting services to ethnic and racial groups with relatively high unemployment levels.”*

percent of JobNet placements were minorities. By comparison, minority residents make up only 17 percent of Portland’s workforce. This means that JobNet is placing minorities at over two times their percentage representation in the workforce as a whole. In Minneapolis, minorities accounted for 80 percent of NET affiliate placements, which is over three times their representation in the workforce. In Berkeley, minorities accounted for 78 percent of placements, which is over twice their representation in the labor force. These findings suggest that the programs have been important sources of employment opportunities for ethnic and racial minority populations.

Although several racial and ethnic groups are served, the programs have been especially successful at targeting services to ethnic and racial groups with relatively high unemployment levels. As shown in Table #3, African Americans in each city and Native Americans in Minneapolis experience particularly high levels of unemployment compared to other groups. Minneapolis places African Americans at six times their representation in the

workforce, Berkeley four times, and Portland three times as demonstrated in Table #2 above. Minneapolis also places Native Americans at six times their representation in the labor force.

***FINDING: All three programs primarily serve low income local residents. Berkeley and Minneapolis’ services are especially well targeted.***

In Berkeley and Minneapolis all job seekers had incomes less than 80 percent of the area household median, which is considered low income by HUD-assisted housing standards.<sup>3</sup> In Minneapolis, 35 percent of total placements received public assistance (AFDC, General Assistance, Food Stamps and supplemental aid) prior to being placed. In Portland, 52.2 percent of placements earned less than 80 percent of area household median.

There is also strong evidence in Minneapolis and Berkeley that the majority of people assisted are low income minorities.

**Table 3  
UNEMPLOYMENT RATE BY RACE AND ETHNICITY**

	<b>Berkeley</b>	<b>Minneapolis</b>	<b>Portland*</b>
Asian	6%	8%	7%
African American	15%	17%	13%
Latino	6%	10%	8%
Native American	N/A	22%	N/A
White	3%	5%	5%
Overall	6%	3.4%	3.7%

\*These figures are for Multnomah County, the county in which Portland sits. Portland’s population makes up nearly 70 percent of the county’s population. The 7 percent listed for Asian was listed as “other” in Oregon Employment Department’s tabulations of the 1990 Census. Knowing that the overwhelming majority of those “other” are Asian, we listed it as such.

Source: 1990 U.S. Census

*“Although the linkage programs do not necessarily target men, the programs disproportionately help them.”*

**Table 4  
FEMALE PLACEMENTS**

<b>Berkeley FY 1995-96</b>		<b>Minneapolis FY 1995-96</b>		<b>Portland FY 1994-95</b>	
Placements	% of Workforce	Placements	% of Workforce	Placements	% of Workforce*
37%	48%	39.9%	47%	33.6%	46.4%

\* The total workforce percentage is for Multnomah County.

Source: U.S. Census and Linkage Agencies

In Portland, although the majority of placements are not minorities, most of the minorities placed through the program were low income. Of the African Americans placed, for instance, 73 percent were low income.

***FINDING: All three programs placed more men than women.***

In Portland, women accounted for only 34 percent of JobNet placements even though women make up 46 percent of the workforce. Similarly, in Berkeley and Minneapolis, women constitute 37

percent and 40 percent, respectively, of all people placed although they make up 48 percent and 47 percent of the workforce (see Table #4).

Minneapolis attributes its uneven placement record regarding women to the fact that economically disadvantaged women are typically single-parent heads of households and were therefore eligible to receive more extensive services through the federal Job Opportunities and Basic Skills Training (JOBS) program operated by the State.

Occupational segregation in the labor market

**Table 5  
UNEMPLOYMENT RATES BY RACE AND GENDER**

	<b>Berkeley</b>		<b>Minneapolis</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Asian	6%	6%	9%	6%
African American	18%	10%	18%	16%
Latino	5%	7%	11%	8%
Native American	N/A	N/A	28%	16%
White	4%	3%	6%	4%

Source: 1990 U.S. Census



***“Minneapolis NET and Berkeley First Source target people with lower education levels than the overall population.”***

may help explain why the programs disproportionately place men in both Berkeley and Portland. In Berkeley, because so few women are hired (or apply for jobs) in the construction sector, and a big chunk of program placements are in construction, the overall placement of women is lower than of men. If construction sector placements are left out, women account for 55 percent of placements. Neither Portland or Berkeley has made placing women in non-traditional jobs a strategic priority.

Although the linkage programs do not necessarily target men, the programs disproportionately help them. This is particularly true for African American males in Berkeley and Minneapolis, and Native American males in Minneapolis, all of whom have higher unemployment rates than do women (see Table #5).<sup>4</sup> In Minneapolis, African American males account for 61 percent of African American placements. In Berkeley, they account for 64 percent. In Minneapolis, 66 percent of Native Americans placed are males. While the programs have done a very good job of addressing the employment needs of men, even

more striking is the potential impact the linkage programs are having on unemployment levels for African American males. For instance, in 1990 a total of 1,938 black males in Minneapolis were unemployed. If we use that number as an estimate for the number unemployed in 1996, then the NET affiliates would have served approximately one in every three unemployed African American males.<sup>5</sup>

***FINDING: Minneapolis NET and Berkeley First Source target people with lower education levels than the overall population.***

In Minneapolis, 66 percent of the people placed had a high school diploma or less, compared to 42 percent of the overall city-wide population who had the same level of educational attainment (see Table #6).<sup>6</sup> In Berkeley, 48 percent of placements had a high school diploma or less, compared to 20 percent of the overall city-wide population who had the same level of educational attainment. Each program also placed a sizable percentage of people

**Table 6  
EDUCATION LEVELS OF PLACEMENTS AND POPULATION\***

	Berkeley		Minneapolis	
	First Source FY 1995-96	City-Wide	NET FY 1995-96	City-Wide
Less than high school	3%	8%	15.9%	17%
High School, GED	45%	12%	49.7%	25%
Some College, A.A.	28%	32%	25.2%	31%
Four years of college and above	24%	48%	9.2%	27%

\*Education levels were not collected for construction placements. U.S. Census educational attainment is for all City of Berkeley and Minneapolis residents over the age of 18.

Source: 1990 U.S. Census and Linkage Agencies

**“Considering risk factors for chronic unemployment, approximately three-fifths of Minneapolis placements were considered either high or very high risk candidates, with very poor work histories and/or multiple barriers to employment.”**

who had had some college, vocational school, or an associate degree (28 percent in Berkeley and 25.2 percent in Minneapolis).<sup>7</sup>

The education level of First Source and NET placements suggest that these linkage programs were predominantly placing a segment of the

population that has lower levels of education (only a high school diploma), but have minimal basic educational attainment and so have difficulty qualifying for quality entry-level employment without the help of an employment linkage program.

**Table 7  
MEDIAN WAGES OF LINKAGE PLACEMENTS**

	<b>First Source Berkeley FY 1995-96</b>	<b>NET Minneapolis FY 1995-96</b>	<b>JobNet Portland FY 1994-95</b>
Median Hourly Wages	\$8.57	\$7.00	\$8.75
% of Total Placements	100%	100%	100%
Total Placed	259	1,706	1,235
Median Hourly Wages—Construction	\$10.00	\$10.00	N/A
% of Total Placements	37%	3.8%	
	(95)	(64)	
% constructions jobs in the city	(5%)	(2%)	
Median Hourly Wages—Manufacturing	\$14.03	\$7.00	\$8.75
% of Total Placements	13%	24.2%	48.4%
	(33)	(413)	(598)
% manufacturing jobs in the city	(11%)	(13%)	(12.3%)
Median Hourly Wages—Services	\$8.00	\$7.00	\$7.00
% of Total Placements	28%	43.5%	17.7%
	(73)	(742)	(218)
% services jobs in the city	58%	33.8%	29.1%
Median Hourly Wages—Retail	\$6.00	\$6.50 *	\$5.00
% of Total Placements	21%	15%	10.1%
	(56)	(248)	(125)
% retail jobs in the city	19%	18.0% **	16.0%

\* Includes placements in wholesale trade establishments as well, although placements in wholesale trade made up a small proportion of placements in this category.

\*\* This includes wholesale and retail trade.

Source: 1990 Census and Linkage Agencies

***“In Portland the overall median hourly wage for all placements was \$8.75, the jobs were full time and over 90 percent included benefits. The overall starting median wage of Berkeley’s placements was \$8.57 per hour.”***

***FINDING: In Berkeley and Minneapolis, employment linkage programs serve people with multiple barriers to employment.***

Information on the life circumstances of people placed differed by location. In Minneapolis, for example, ex-offenders, homeless and disabled individuals accounted for 12.4 percent of total placements. Considering risk factors for chronic unemployment,<sup>8</sup> approximately three-fifths of Minneapolis placements were considered either high or very high risk candidates, with very poor work histories and/or multiple barriers to employment. Berkeley was also successful in reaching a hard-to-serve population, as 16 percent of their placements in 1994 were homeless prior to placement and 63 percent lived in neighborhoods with three times the unemployment rate of the city. Similar data were not available for Portland.

**2. Job Quality**

***FINDING: While job quality varied by industry, in general residents were placed in good quality entry-level jobs. Job quality is remarkably high in Portland, where the Portland Development Commission (PDC) strategically focuses its job development on high quality manufacturing jobs.***

Placements by the three programs were generally in “good-quality” entry-level positions, as classified by each program based on the local economy. In

Portland, where PDC uses development incentives to leverage jobs in industries that offer entry-level positions that pay living wages, the overall median hourly wage for all placements was \$8.75, the jobs were full time and over 90 percent included benefits. In 1994, 12.3 percent of Multnomah County’s workforce were employed in the manufacturing sector, while 48.4 percent of all JobNet placements were in manufacturing jobs, suggesting that JobNet clients were competitive for highly sought after jobs in this generally higher paying sector. JobNet clients were more likely to work in the manufacturing sector than the county’s workforce as a whole. These data suggest that JobNet successfully targets high quality manufacturing sector jobs and is able to recruit clients that are competitive for highly sought after jobs. (See Table #7).

Berkeley has also been strategic in targeting high paying sectors in its job development, although less so than Portland. For instance, residents who were placed in the manufacturing sector (13 percent of total placements) commanded starting median wages of \$14.03 per hour.<sup>9</sup> Construction placements (37 percent of placements) earned \$10.00 an hour. In contrast, residents who found jobs in the service sector (28 percent of total placements) earned median hourly wages of \$8.00 and those in retail (21 percent of placements) had median hourly wages of \$6.00 per hour—substantially lower than in manufacturing but still well above minimum wage. The overall starting median wage for all Berkeley’s placements across all industries was \$8.57 per hour. Almost three-quarters (73 percent) of the

**Table 8  
NATIONAL POVERTY LEVEL, 1995**

	Family Size			
	1	2	3	4
<b>National Poverty Level</b>	\$7,763	\$9,933	\$12,158	\$15,569

*“For residents placed by these programs who had limited or no prior work experience, starting wages in entry-level positions were good entry points on the path to economic self-sufficiency.”*

non-construction placements found full-time employment. Due to the nature of the construction industry, construction placements were temporary assignments, but sometimes led to other construction jobs and trade union membership.

The majority of residents who found jobs in manufacturing received benefits at placement, but since the retail, construction and service sector employers that First Source works with rarely provide benefits to entry-level workers, we assume that most (or 87 percent) of First Source placements did not receive fringe benefits.

In stark contrast to Portland and Berkeley, in Minneapolis starting wages for those placed in both manufacturing and service sectors were the same—placements earned median wages of \$7.00 per hour. In Minneapolis, the large majority of placements found full-time jobs. Out of total placements, 88 percent were employed more than 30 hours per week. They were twice as likely to be employed in manufacturing as the city’s workforce as a whole, although most found jobs in the service sector.

***FINDING: As a result of the linkage program intervention, residents were placed in jobs with wages above the national poverty level.***

Although we lacked information on some clients’ incomes prior to placement, and on family size and

additional household wage earners, we nonetheless collected available data to gain a rough sense of how the jobs obtained through the programs affected clients’ economic status. Over 50 percent of the placements in each program were classified as low income prior to placement, though the definition of “low income,” and the manner in which each calculated income levels or disadvantaged status varied among programs.<sup>10</sup>

Median wages for all placements in all industries ranged from a low of \$7.00 per hour in Minneapolis, to a high of \$8.75 per hour in Portland (see Table #9). Generously assuming that the jobs are full-time and that everyone stays on the job for one year, we converted these median hourly wage figures to annual income by simply multiplying them by 40 hours a week for 52 weeks a year. Single persons working full-time thus had estimated median annual incomes of \$14,560 in Minneapolis, \$17,826 in Berkeley and \$18,200 in Portland. By comparing Tables #8 and 9, it is clear that with these incomes, workers supporting a family of four on their wages alone are able to live above the national poverty level in Berkeley and Portland. In Minneapolis, a worker supporting a family of three is able to live above the poverty level.

Although inflating wages to yearly salaries provides a rough idea of how placements fare relative to the poverty level, it skews some important dif-

**Table 9  
MEDIAN HOURLY WAGES CONVERTED TO YEARLY SALARIES**

	<b>Berkeley* FY 1995-96</b>	<b>Minneapolis FY 1995-96</b>	<b>Portland FY 1994-95</b>
Median hourly Wage	\$8.57	\$7.00	\$8.75
Yearly Salary	\$17,826	\$14,560	\$18,200

\* Without construction placements, Berkeley yearly salaries are \$15,600 or 7.50/hr., barely above the poverty level for a family of four.

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*“The three programs primarily placed low income minority adult residents in good quality, entry-level jobs.”*

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ferences across the sites. In each city, the programs employ different job development strategies, focusing on different sectors and employers in their local economy. Retail and service sectors are more likely to hire people on a part-time basis and have low worker retention. Construction tends to hire people on short-term seasonal assignments. Manufacturing tends to hire people on a full-time schedule and to retain its workers longer. In addition, actual costs of a minimal quality of life vary across cities.

In Berkeley, the program focuses heavily on the construction sector. Of the 259 people placed, 95 were placed in construction jobs which are usually high-paying, short-term assignments, and people may either be unemployed or in alternative jobs for a few months out of the year. Also, similar to JTPA retention figures, only 63 percent of the non-construction placements stayed on the job after three months. Therefore, to take an hourly wage and make it into a yearly salary may overestimate how much people earned in a year due to the employment linkage program placement.

Assuming Minneapolis' NET affiliate retention rates are similar to JTPA rates, it is probably unwise to assume that placements earned the yearly salary shown in Table # 9 as a result of their NET placement, although 88 percent of the jobs are reported to be permanent and full-time.

In Portland and, to some extent, in Minneapolis and Berkeley, where the focus is on job development in the higher wage manufacturing sector with lower turnover and jobs that are permanent and full-time—we can convert hourly wages to yearly salaries and more confidently assert that workers are making wages on a yearly basis that put them and their families above the poverty line. Even then, disadvantaged job seekers may have trouble retaining their jobs throughout a year.

### **3. Summary of Program Outcomes for Job Seekers**

The three programs primarily placed low income minority adult residents in good quality entry-level jobs. In all locales, minority residents, particularly African American males, were placed in greater proportion than their representation in the labor force. This suggests that the linkage programs were successful in helping residents who have traditionally had the highest unemployment rates in inner cities to find jobs in the mainstream labor market.

In the two sites where education was tracked, nearly all of the placements completed high school and a substantial number had some training beyond high school, whether at a vocational school, community college, or four-year college. While most candidates were at least motivated to pursue work—all programs were voluntary and job seekers made their own contacts with employment service providers—a significant number of job candidates had limited work experience, low skill levels and other personal barriers that otherwise would have inhibited them from securing good entry-level jobs on their own.

In all three cities, the programs placed clients in high quality manufacturing jobs in proportions greater than the distribution of the region's or city's workforce in this sector. When people found manufacturing jobs in Berkeley and Portland they were likely to be placed in jobs where wages and job quality are considered good (median wages in this sector were \$14.03 and \$8.75, respectively, with fringe benefits).

Although median wages of people placed varied by industry and location, placements were in jobs with wages that were above national poverty-level thresholds for three-person families; in Portland and Berkeley median wages were sufficient to sustain a four-person family above poverty. For residents placed by these programs who had limited or

*“We estimate that each placement costs approximately \$760. This figure compares favorably to the average cost of a JTPA placement in Minneapolis of \$1,409.”*

no prior work experience, starting wages in entry-level positions, while below the median wages for all city residents working in the same industries, were nonetheless good entry points on the path to economic self-sufficiency.

While we were not able to ascertain the employment/unemployment status of placements at the time they sought work in any of the three cities, we explored the potential impact of a linkage program on employment levels by examining an aspect of the program in Portland. JobNet makes a special effort to target a specific neighborhood, North/Northeast Portland (N/NE), in which African Americans make up a large percentage of the population. We took the liberty of making a hypothetical supposition that most of those placed from N/NE were formerly unemployed. By combining the hard evidence on the number of JobNet placements from N/NE, with this not-so-unrealistic hypothesis, we were able to make a rough judgment of the potential of linkage programs of this type to raise significantly a neighborhood’s employment level. In 1992, 2,945 people from N/NE Portland were unemployed.<sup>11</sup> If the 323 people placed in jobs from N/NE had all been unemployed prior to placement, then JobNet would have placed approximately one out of every ten unemployed N/NE residents. Looking specifically at African Americans, if the 120 black males from N/NE who were placed had all been unemployed, JobNet would have lowered the unemployment rate for black males from 17.1 % to 14.3%—a decrease of 2.8 percentage points. In short, although

we have no way of confirming what percentage of N/NE residents placed were formerly unemployed, this speculation suggests the potential impact a linkage program could have by saturating a targeted neighborhood with preferential access to employment.

### **What Do the Programs Cost?**

We viewed program costs as a measure of costs per placement in fiscal year 1995. We made a rough estimate of per placement costs by dividing overall operating costs of the broker intermediary, and the principal partnering agencies, by the number of placements. Estimating overall operating costs was easiest in Minneapolis NET, which included only the broker intermediary and its 11 affiliates, one of which also manages the computer job bank, JOB LINK. NET has annual operating costs of \$1,295,671, and so we estimate that each placement costs approximately \$760. This figure compares favorably to the average costs of a JTPA placement in Minneapolis of \$1,409 (See Table #10).

Much of NET’s costs, as a “supply-driven” system operating in a tight labor market, are associated with the recruitment, screening and referral of candidates, and with managing the job bank, rather than with the costs of job development.

Estimating program costs in Berkeley was more complicated, since we were not able to quantify costs among the 25 community-based partners, a

**Table 10  
BUDGET AND COST PER PLACEMENT**

	<b>Berkeley 1995-96</b>	<b>Minneapolis 1995-96</b>	<b>Portland 1994-95</b>
Yearly Operating Budget	\$341,110	\$1,295,671	\$407,122
Cost per Placement	\$1,470	\$760	\$330

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*“Estimating program costs in Berkeley and Portland was much more complicated, since we were not able to quantify costs among their community-based partners. Consequently, our figures significantly underestimate the actual costs.”*

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number of which, as comprehensive service providers, are funded to provide a broad array of services to many individuals, while still others place job seekers in employment through routes other than First Source. Since we were unable to determine what proportion of the partner agencies' time was spent in referring candidates to First Source, we were not able to include their costs, even though the aggregate costs of screening and referral to First Source was undoubtedly significant. Consequently, our estimate of \$1,470 per placement in fiscal year 1995/96 includes only the City of Berkeley's costs to manage First Source (\$341,110), and consequently, significantly underestimates the actual costs.<sup>12</sup>

The effort to gauge the costs of Portland's program was even more complicated. In this demand-driven system, where much of the expense is derived from managing relations with and monitoring compliance among employers, the major costs are those accrued by the PDC's JobNet unit. Since a network of more than 200 community partners feeds candidates to JobNet, however, we were not able to determine what proportion of their budgets underwrote preparation of candidates referred to JobNet. In short, measuring only PDC's JobNet costs of \$407,122, the per placement costs were \$330 in fiscal year 1994-95.

## Endnotes

<sup>1</sup> Although we used income and ethnicity as a proxy for “disadvantaged” status, we note that in Portland and Berkeley the linkage program is available to all residents, regardless of income status, residency, minority group and work status, even though they make a special effort to reach disadvantaged minorities, especially in targeted neighborhoods. Thus, while we assess all programs' ability to serve disadvantaged residents, our judgment must be qualified since Portland and Berkeley's program eligibility guidelines are broader. In addition, while rough comparisons can be drawn across sites, we suggest caution because everything varies from site to site, including poverty status or other measures of disad-

vantage, the particular parameters used to assess performance, and the wage levels of “good” jobs vary from one location to the next. Relative performance of the three programs cannot be evaluated on the basis of these dissimilar outcome data. However, while we are careful not to compare, for example, wages of those placed across sites, we do make rough comparisons of the extent to which average wages raised placements above poverty levels in each city.

<sup>2</sup> We use the word “placements” instead of “people” because people may have been placed more than once over the years through the program. This distinction is particularly pertinent in Berkeley where 37 percent of the placements are made in the construction sector. This sector is characterized by short-term and multiple placements. Therefore, it would not be accurate to assume that Berkeley's program, for instance, has placed 2,344 individuals over the years as some return to be placed when they change jobs.

<sup>3</sup> In Minneapolis, only 52 percent of placements reported their income. NET staff believes the incomes of the 52 percent are representative of placements overall, however. In Minneapolis and Berkeley, we used 1995 median household figures of \$29,629 and \$34,792 respectively. For Portland we used the 1994 median household income for a family of four \$33,417.

<sup>4</sup> Similar data were not available for Portland.

<sup>5</sup> We recognize that the number of unemployed African American males reported by the Census is an underrepresentation as it does not include people who have dropped out of the workforce and thus not been captured in the total figure.

<sup>6</sup> Portland's JobNet does not collect educational attainment data.

<sup>7</sup> The data were incomplete in Minneapolis as only 75.7 percent of all placements reported their education levels.

<sup>8</sup> Defined by the city office that oversees the dispersal of employment training and placement funds.

<sup>9</sup> Most manufacturing placements are made with the Bayer Corporation, a biotechnology firm with which OED negotiated a development agreement and secured a first source hiring agreement and an extensive biotech

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training program involving the local high school and community college.

<sup>10</sup> Fuller analyses of how well each program aided clients to rise above poverty levels are included in the case studies available from the Center.

<sup>11</sup> Oregon Workforce Data, 1992. This is a projection based on 1990 Census data. The year 1992 is the latest year for which projections of race/ethnic specific data on unemployment levels in N/NE are available.

<sup>12</sup> A more accurate picture of program costs would entail not only quantifying the range of costs associated with the broker intermediary and the community-based

partners in the feeder system, but also, what might be called the costs of job creation. These latter costs would include the costs of development incentives provided to participating firms (subsidized small business loans, tax credits, or development waivers, etc.) which represent actual and/or opportunity costs to local government. While no such retrospective cost accounting was available to us, prospective evaluations of linkage programs should include collection and analysis of these now-hidden expenses. Such cost accounting should also include analysis of community college participation, particularly in programs such as Portland's JobNet, where the community college plays a significant role.



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# 5

## What Impact Have the Programs Had on Employers?

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An implicit goal of linkage programs is to change employers' hiring patterns. In Berkeley and Portland, first source hiring agreements are the method by which employers are encouraged to hire residents from targeted populations and locations. The Minneapolis program no longer relies on first source agreements, but instead on voluntary participation from employers in a very tight labor market.

In all cases, however, there are similarities in the way employers are approached and relationships maintained. All seek to maintain employers' engagement by offering high quality outreach, recruitment, screening and referral services. All described the importance of appealing first and foremost to employers' self-interest, rather than simply relying on participation mandated under agreements or playing to employers' civic duty. As the Director of the Workforce and Targeted Industries Department in Portland which oversees JobNet stated:

*If you can't figure what's in it for the business up-front, what's of value to them, then you have nothing to bargain with. So to simply go in [to a business] and say you need to hire these people, or we want to train these people for you does not automatically mean it's a good idea or that it provides any value for the business. They've heard that pitch before, and generally, it has not met their needs. But, if you can go in and understand that they're not getting their deliveries out on time and there's something that we can do to help them, and in exchange they're willing to participate in our recruitment strategy, they understand this type of quid pro quo. That's always how we've tried to operate, to understand what's in it for the business.*

Since the goals of changing employers' hiring practices and placing disadvantaged residents in jobs in the private sector are dependent in part on how successful linkage programs are in catering to employers' self-interest, we attempted to ascertain whether the programs successfully gained em-

ployer participation on those terms. Specifically, we were interested in: the degree of employer satisfaction with the service they received in addressing their workforce needs; whether employers realized costs savings by using linkage program referral services; and what type of industries are served.

***FINDING: Employers generally expressed satisfaction with the services received from the linkage intermediary.***

Anecdotal evidence garnered from employer interviews—and statistics on the use of linkage programs—suggest that these programs were generally well used and viewed as a value-added service by employers. One manufacturer interviewed in Portland, for instance, echoed comments made by other employers when he noted his initial doubts about working with JobNet staff and his concerns about the flexibility he would lose in advertising for covered positions. Despite this early skepticism, the company's human resource manager found JobNet to be very responsive and communicative throughout the firm's hiring process. In fact, he was very complimentary of linkage staff, stating that, "They worked very hard, often doing more than I expected."

In Berkeley, one employer interviewed mentioned that he hires exclusively through internal networks and First Source to get qualified residents for jobs in his supermarket. He uses First Source because he has found that the quality of staff hired through First Source was better than the people he had been hiring off the street. Another employer interviewed for a National League of Cities publication (1995) commented:

*First Source works better than traditional employment agencies or newspaper advertising for us. We get more applicants, the quality of help is good—and we're getting reliable people from the community.*

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*“In Berkeley, one employer uses First Source because he has found that the quality of staff was better than the people he had been hiring off the street.”*

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Employer satisfaction was further demonstrated by the firms that use the linkage programs voluntarily. Portland’s JobNet provides its recruitment and placement services to a limited number of firms that are not bound by agreements. In FY 1994-95, 17 firms used JobNet services voluntarily. People placed in these firms accounted for 42.4 percent of all placements for the year.

Similarly, both Berkeley and Minneapolis have extensive levels of voluntary program use. In Berkeley, for instance, employer interest is suggested by the fact that 77 percent of the businesses that used the service did so more than once, and 22 percent used First Source more than four times in 1994-95. Moreover, over half of the businesses using First Source did so without receiving any economic development incentive from the city. In Minneapolis, evidence of employer satisfaction is demonstrated in the requests NET affiliates receive for their recruitment and placement services. According to the NET Director, NET affiliates are operating at more than full capacity and expending a full year of funding for placements within the first nine months of operation. Employers repeatedly use NET affiliates to obtain job applicant referrals.

Despite the generally positive comments made by employers during interviews, we also heard frustration from several employers that linkage staff had not gone far enough in understanding the employer’s workforce needs. As one employer in Berkeley noted:

*They [First Source] really must learn and understand the different standards that we have here. Even though a lot of the jobs . . . here are entry-level, they have to understand the delicacy of the work in our company. Even for janitors, there’s a higher standard [than a grocery store has].*

During an interview in Minneapolis, one employer voiced frustration that the NET affiliates were not responding quickly enough to his request for job applicants. This frustration was clearly exacer-

erated by the tight labor market, in which employers must compete for a small pool of applicants. The employer felt that advertising on the JOB LINK database did not provide him with the personal contact he felt he needed to sell himself and the job opening to potential job candidates.

In short, while we were only able to survey a limited number of employers and, therefore, we are not able to offer definitive commentary on how the programs are viewed by employers, we note the high usage of the three programs—usage that went beyond that required by first source agreements. We also heard positive comments from most individual employers, though a minority of those interviewed in each city expressed problems with the linkage program.

***FINDING: Linkage programs can provide a value-added service to employers by recruiting, screening and referring qualified candidates, thereby saving businesses time and money. Presumably, the cost savings are even higher in industries experiencing labor shortages or in economies with tight labor markets.***

By providing services free of charge to participating employers, the programs save companies’ time and money that would otherwise be spent on outreach/advertising, recruitment and screening. Bypassing such formal recruitment channels as newspapers and job fairs saves employers advertising costs. Each step can be viewed as a cost savings to employers. Employment service partner agencies assume the costs of outreach and recruitment, while the linkage program intermediary ensures that candidates are properly screened before referral to employers.

In Berkeley, First Source provides an additional service to employers by verifying past employment for all candidates that are referred. Employers then receive applications from a specific number of pre-screened candidates, thus avoiding screening costs

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*“If retention is a problem, as we heard from several sites, then retention must be given the same attention as placement. The experience of Portland’s JobNet suggests that this issue can be successfully addressed.”*

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and narrowing the pool of applicants. Given that employers on average pay approximately \$2,542 per position to recruit, screen and hire hourly employees, we estimate that the extent of savings for employers ranges from \$0.3 million in Berkeley to \$4.3 million in Minneapolis in 1995-96.<sup>1</sup>

Overall, the value-added and cost saving to employers are greater in Minneapolis, experiencing a labor shortage, than in Berkeley, with a surplus of labor.

***FINDING: Employers’ cost savings in recruitment and screening must be balanced against retention rates.***

Employers’ savings in recruitment and screening must be balanced against employee retention rates. Unfortunately there are limited comparative data across all sites to indicate whether people placed in jobs through linkage programs stay on the job as long as or longer than people who found jobs through other means.

Berkeley was the only city which has kept a full year of retention data. First Source’s 90-day retention rate of 63 percent was only slightly higher than the county’s JTPA retention rate of 60 percent for the same period. Compared to national retention data in the 1995 Multi-City Study of Urban Inequality,<sup>2</sup> Berkeley’s retention rates for people placed in jobs in manufacturing, service and retail sectors were two to three times lower, suggesting cost savings to employers were offset by high turnover.

In Portland, we were told that employers and community organizations have also identified retention as a key concern, but one for which one possible solution has emerged. Wacker Siltronic Corporation experienced an annual turnover rate of 80-90 percent for its entry-level manufacturing operator positions prior to the establishment of a special training program. Once the Semiconductor Training Center was established as a joint venture with JobNet, turnover rates fell to 35 percent over-

all for participants in classroom and on-the-job training.

In contrast to the other cities where the onus for retention is on the linkage program, Portland companies residing in the state enterprise zone are bound by first source agreements to demonstrate after the second year that 50 percent of their enterprise zone hires (residents of a low income neighborhood) are still on the job. This new stipulation in first source hiring agreements has encouraged employers to take additional responsibility for residents they hire. It has also resulted in JobNet once again meeting employers halfway, by helping them find solutions that increase retention rates.

Without more detailed information on the retention rates of linkage program placements, it is difficult to know whether the attrition seriously offsets the savings employers receive in recruitment and screening. If retention is a problem, as we heard from several sites, then retention must be given the same attention as placement. Nevertheless, in two sites, post-placement services have been given only limited attention, and funding to address the issue has been sparse. The experience of Portland’s JobNet suggests that this issue can be successfully addressed.

***FINDING: Linkage programs assisted a greater number of small firms, but more people were placed in larger firms.***

In both Berkeley and Portland, most of the time spent by the linkage programs in servicing agreements was with firms with fewer than 100 employees, even though a majority of placements were in relatively fewer large firms. For instance, while Portland firms with more than 100 employees made up approximately a quarter of the 56 employers assisted during the year, they accounted for 62.7 percent of total placements.

According to JobNet staff, smaller employers are harder to assist because they tend to be less flex-

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*“Smaller employers are harder to assist because they tend to be less flexible and more tied to their own recruitment networks.”*

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ible and more tied to their own recruitment networks. While small businesses are thus more labor intensive to service, the added amount of time spent with them does not necessarily result in more placements. Staff in Berkeley and Portland concurred that it is more cost effective to recruit, screen, refer and place five or more people in a larger firm than it is to place one person in a small firm.

Staff in Portland also pointed out that their service is especially advantageous for new firms because these companies tend not to have connections to the local workforce. When a new firm locates to the area or opens a new facility in Portland, JobNet staff typically spend a significant amount of time with the firm's human resource manager. In some cases the staff become extensions of the personnel department, laying the groundwork for the new personnel manager, working to clarify job descriptions, setting up ori-

entation schedules for interested applicants and working with community agencies to recruit, screen and refer qualified applicants. In these cases JobNet staff are able to have a direct impact on the employer's bottom line since a new firm's ability to meet its start-up and production schedules is based upon its ability to find people to fill job openings.

## **Endnotes**

<sup>1</sup>The \$2,542 figure estimated by the Employment Management Association is a 1991 figure and has not been adjusted to 1995 dollars. Note this assumes that employers would have used formal recruitment networks to find workers.

<sup>2</sup>The Multi-City Study of Urban Inequality, funded by the Russell Sage and Ford Foundations, included a survey of over 3,000 employers in four U.S. cities. Berkeley's retention figures were compared to entry-level job retention figures for cities of comparable size. See Holzer 1996.



## What Impact Have the Programs Had on Broader Systems?

The linkage models studied are multi-institutional collaborations. Each is managed by a broker intermediary that oversees the flow of information between employers and job seekers, and provides quality control for candidates screened and referred by its employment service partners.

While each intermediary operates independently from its partners, together they typically represent restructured workforce preparation systems. As systems, their overall performance is highly dependent on the quality of performance of the parts: the employment service partners who recruit, screen and refer candidates, and the employers that must provide accurate information on their workforce needs and advise employment providers on the preparation of candidates.

Although none of the sites began with the intention of reshaping their local workforce preparation systems, to varying degrees each has had significant impact on how those systems operate at the community, public sector and employer levels. Notably, as each program matures, they have begun to define systemic improvements as necessary intermediate goals that must be achieved if outcomes for clients are to be improved.

In Minneapolis, the launching of a computerized database, JOB LINK, has transformed what began as simply a collaboration of employment service providers into a more efficient system allowing peer accountability and quality control. The introduction of the database is changing the way job development is done by employment service partners and the way employers advertise positions.

In both Portland and Berkeley, it became clear that in order to link disadvantaged residents with high quality jobs, steps had to be taken to improve the skill levels of those residents. In Portland, JobNet's advanced information on large scale hiring resulted in improving the quality of specific community college technical training programs, as well as the college's ability to market its customized

training as a competitive advantage in efforts to attract business to Portland. In Berkeley, the initial success of First Source has recently resulted in the formation of a consortium of formerly factious and competing employment service providers. Furthermore, the quality of services provided to industry has resulted in those companies becoming more willing to fund a range of educational and training institutions to prepare their current and future workforce.

These systemic impacts are divided into four findings: the impact on the employment service or workforce system; how public institutions approach workforce issues; the impact on how employers serve their own workforce needs; and, more generally, the extent to which linkage programs appear able to reproduce the qualities manifested by informal hiring and recruitment networks.

***FINDING: By exposing employment service providers to the market, linkage programs raise performance standards and generally strengthen the workforce development infrastructure.***

We began our research on linkage programs with a hypothesis about the effect that exposure to market demands has on the operating culture of employment service agencies, which typically operate more like social service providers than business organizations. Performance pressures on most employment service providers tend to emanate more from funding sources than from direct market pressures. The result is usually a funder-driven internal culture rewarding placements, but neither job quality nor retention over longer periods of time. Those whose survival is directly determined by the performance of its "products" in a market gain immediate and continual feedback on the quality or competitiveness of their clients, a dynamic that encourages a never-ending search for greater operating efficiency.

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*“Although none of the sites began with the intention of reshaping their local workforce preparation systems, each has had significant impact on how those systems operate.”*

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Because the market being served is a particularly tumultuous one—where skills become obsolete in a few years and “skills security” has become crucial—working directly with employers is likely to increase pressure to produce better prepared, more competitive job-seeking clients. It seems reasonable to hypothesize that those with strong links to employers, good information on the changing nature of demand, and immediate feedback on how well their clients do in gaining and keeping jobs—would perform better than those with fewer direct market connections.

We tested this hypothesis by examining the extent to which exposure of a network of providers to market pressures had changed the overall employment service infrastructure in a particular location. Since there had been no performance assessment of participating employment service providers prior to their involvement in the linkage program, our sense of whether the program changed operating cultures is necessarily based on anecdotal evidence. That evidence is drawn from interviews with employers and candid discussions with the linkage intermediary staff and individual employment service providers. These interviews confirmed the importance of market exposure, even while illuminating the distance some still must travel.

The greatest system-wide effects are evident in Minneapolis. In this supply-driven system that now operates without strong first source agreements, community-based affiliates make the system work by virtue of their ability to supply quality candidates to employers who face labor shortages. Partners that do not send top quality candidates in response to job leads are immediately subject to queries from NET staff and from partners. Indeed, when problems in one agency become the subject of concern for NET and the other partners, technical or simply trouble-shooting assistance is made available to correct the problem. In short, peer accountability and the availability of technical support have worked to continually improve affiliate

program operations, thereby raising performance levels across the network.

All indicate that this approach has significantly strengthened the neighborhood employment service infrastructure. In addition, one NET affiliate plans to use information from the JOB LINK database for policy purposes. For example, since JOB LINK’s mapping capabilities allow graphical representation of the location of jobs, this information can serve to demonstrate to transit planners where new transit routes should be placed.

In Portland, in contrast, where the primary linkage relationships are between JobNet and individual employment service providers, there is less direct interaction between community-based organizations and employers. With more than 200 community partners, there necessarily is limited contact between these agencies and employers. The result is that the program relies less on peer accountability and direct market feedback and more on the JobNet intermediary for quality control. We surmise that the system works because JobNet is able to recruit job candidates from such a large network of service providers. Portland has a demand-driven system where, by virtue of JobNet’s connection to employers and jobs, it is able to pull in sufficient numbers of candidates to fill positions covered under first source agreements. The lack of direct market exposure means that employment service providers who tend to operate like traditional social service agencies do not change their performance standards, to the detriment of future job seekers.

Interestingly, the one partner that is able to avail itself of direct market relationships is the Portland Community College (PCC). Because PCC is afforded direct employer contacts, often side-by-side with JobNet during agreement negotiations and thereafter, the college is able to translate this market knowledge into stronger customized job training and enhanced education programs. In short, JobNet works as a demand-driven system, in which

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***“One way to institutionalize a program is to embed it within a city’s overall economic development strategies, as did the Portland Development Commission.”***

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this linkage intermediary is able to compensate for deficiencies among its service-providing partners by recruiting from among a large number of them.

Berkeley’s program suggests still another variant, one which blends the demand- and supply-driven systems of Minneapolis and Portland. There is recent evidence of its impact on the employment service infrastructure. Over the past 10 years, the City’s Office of Economic Development (OED) has initiated three separate collaborative efforts with training and placement service providers. The first two efforts suffered from conflicts of interest and competition between First Source and community service providers. The newest effort, the Berkeley Training and Employment Collaborative (BTEC), was developed by First Source staff, the local community college president and key employment service leaders. BTEC’s goal is to provide a forum in which a broad group of representatives can discuss emerging workforce development issues and trends, problem-solve and explore collaboration that might integrate programs and reduce duplication.

This newer effort is showing signs of success as key players from diverse agencies meet monthly to build relationships, address problems and negotiate change by coordinating the development of employment service programs. According to one person that participates in BTEC, “BTEC has been around for a couple of years, but it has recently moved from ‘feel good’ to action.” While perhaps too early to predict, BTEC might eventually serve to provide the peer accountability and quality of collaboration that may have the same types of impact on the employment service infrastructure as has become the case in Minneapolis.

***FINDING: Linkage programs change the way public agencies approach workforce issues.***

Whether strong government support is a cause or effect of successful linkage programs, what is

seemingly essential is not only general support for the program, but particular types of support. In addition to the creative use of fiscal and zoning powers and development incentives to convince employers to sign agreements, local government can also be of great help in using its own resources and specifying how employers might commit resources to build capacity among employment service providers. This requires overcoming a political difficulty: the pressure to spread public funding across council districts or other politically determined constituencies. The success of the programs surveyed suggests that local governments in at least two of the cities were able to avoid making funding choices based solely on political patronage, and instead used performance as a primary driver of funding decisions.

In addition to adequate resources, there must also be economic development policies which give the program staying power. Civic and community leaders must build sufficiently broad political support to institutionalize the program so it can weather the vagaries of changing municipal administrations, and have the longevity necessary to grow, mature and continually improve operations.

One way to institutionalize a program is to embed it within a city’s overall economic development strategies. For instance, rather than viewing employment as one outcome of its economic development activities, the Portland Development Commission (PDC) has elevated workforce issues as the main rationale for those policies. With origins as a traditional development agency focused on real estate and business development issues, the agency now has a separate department devoted to workforce development. Staff work hand-in-hand with other PDC staff to ensure that quality employment opportunities are leveraged with every business development deal.

Increasingly, PDC’s attraction to businesses is built upon a clever two-way street. The quality of the region’s workforce is touted as a competitive

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*“Portland and Berkeley are unique in the extent to which job goals are inextricably linked to poverty alleviation and drive all economic development decisions.”*

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advantage which it markets to attract business, but it only seeks to attract businesses that will bring a higher quality of jobs in which this workforce would be employed. As the Director of the Workforce and Targeted Industries Department of PDC indicated, “PDC has changed. Ten years ago it was almost entirely focused on building, whether urban renewal or housing, [but it has evolved] into an organization that now understands that a good portion of its outcomes are in terms of lowering the poverty and unemployment rates.”

The City of Berkeley’s Office of Economic Development (OED) has also made an explicit link between economic development and workforce issues. Rather than leave to chance the link between job creation in the private sector and the employment needs of targeted populations, OED makes a conscious effort to use its leveraging powers with employers to target specific jobs for equally specific targeted groups. When the city established its economic development department concurrently with First Source, the dual emphasis on low income residents and business development was the selling point in seeking approval of the city’s electorate. This provided OED with broad consensus on the utility of the program, which accounts for the program’s survival over the course of changes in mayoral administrations.

Similarly, Minneapolis’ NET enjoys considerable public sector support, as evidenced by its location within the mayor’s office and the mayor’s position on its small board.<sup>1</sup> While the connection of NET to the city’s overall economic development strategies is less direct, an indication of the city’s role in workforce issues was illustrated when NET affiliates were approached by a local manufacturer who wanted to hire local residents for entry-level positions. The Minneapolis Employment and Training Program (METP), a city agency, stepped in to establish a temporary employment agency for the project, thereby making itself the employer of record during the workers’ initial work with the company. Employees were placed on the city’s

payroll during the 60-day probationary period with the firm. By assuming the initial risk of hiring the workers, the city assured that higher risk residents had access to the company’s good quality jobs. The company gained by being able to try out higher risk job applicants whom it would otherwise have screened out.<sup>2</sup>

Similarly, with prodding and encouragement from NET, METP was willing to consider funding participating NET affiliates as a package rather than as individual agencies. By packaging funding for all 11 agencies under one funding proposal, NET has overcome the usual suspicion and competition that thwarts collaboration in other locales. The willingness of METP to consider a different way to disperse funds to employment and training agencies has helped build a coherent and competent local employment and training delivery system.

By connecting economic development to employment for low income residents, all three cities have strayed from the traditional roles played by local governments in economic development. According to a 1993 survey conducted by the National League of Cities, traditionally city officials have not consciously linked their economic development work with the goals of poverty alleviation. While a majority of city officials queried in the National League of Cities survey believed that poverty alleviation was critical, only 10 percent placed it among their top three economic development goals (Furdell 1995). The misfit between these two agendas in most cities results in missed opportunities to distribute the benefits of economic development efforts to residents. It also leads to widespread criticism of local government policies by community organizations representing low income people and minorities.

While jobs are typically the stated goals of most local economic development efforts, Portland and Berkeley are unique in the extent to which job goals are inextricably linked to poverty alleviation and drive all economic development decisions,



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***“A consortium of Portland-based semiconductor firms has worked with the Portland Development Commission to develop two special training institutes to help prepare workers for jobs in their companies.”***

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providing an unusually strong basis upon which to build a formal linkage strategy.

***FINDING: Examples from the three programs suggest the potential for engaging employers in training, transitional work and special recruitment efforts that serve their workforce needs.***

In all three cities, the work of each of the employment linkage programs has resulted in unique partnerships and programs that are aimed at systemic changes in labor force preparation. Driven by self-interest, a consortium of Portland-based semiconductor firms has worked with the Portland Development Commission to develop two special training institutes to help prepare workers for jobs in their companies. Wacker Siltronic Corporation established the Semiconductor Training Center to prepare residents from the adjoining low income neighborhoods for silicon wafer manufacturing jobs. The training center grew from Wacker's participation in the Semiconductor Workforce Consortium, an employer association. Working together, the group has developed skill sets and standards for each job category of silicon wafer manufacturing. A similar program, the Microelectronics Training Center at Mt. Hood Community College, trains job seekers and current employees for work in such companies as Fujitsu, LSI Logic and other employers in the Portland area's large and growing high technology sectors.

As cited above, Minneapolis' NET facilitated a partnership between a manufacturing firm and the City, which resulted in the establishment of a temporary employment agency to facilitate access for higher risk applicants to jobs with the firm. Similarly, Berkeley's first source agreement with Bayer Laboratories resulted in the establishment of a model workforce consortium, Berkeley Biotechnology Education Inc. (BBEI). It includes Bayer, 11 additional biotechnology companies, area high schools and community colleges. The development

of BBEI resulted in major curricula revisions at each school, internships for teachers and students in the companies, and summer and after-school employment for participating students, all followed by agreements to hire qualified candidates who emerge from the program.

Although these examples do not represent a norm of employer involvement in the three cities, they illustrate the potential for engaging employers in training programs that serve their needs. These ways of engaging employers are likely to become a more common mode of operation as all three programs' relationships with employers mature.

***FINDING: The three linkage programs demonstrate the potential for rebuilding hiring networks in low income neighborhoods.***

Underlying this report is the hypothesis that by mimicking the roles, functions and operations of informal recruitment and hiring networks, linkage programs can effectively reproduce similar kinds of success for populations lacking viable networks. To test this hypothesis we set out to determine whether beneficiaries of these programs would have heard of or applied on their own for jobs with their current employer if they had not been referred by linkage programs.

We found evidence that linkage programs are beginning to open doors to which residents did not previously have access. In querying employees who had found "good quality" entry-level jobs, and asking whether they would have sought the job with their current employer on their own, they generally responded in ways which suggest the utility of the linkage program. They indicated that before being placed by the linkage program, they:

- 1) never considered applying for their current job,
- 2) did not know or had never heard about their current employer prior to being employed there,
- 3) had heard about their employer but did not

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*“We found evidence that linkage programs are beginning to open doors to which residents did not previously have access. We think that additional research should be conducted to explore whether these hiring networks can have a transforming effect on communities.”*

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know what they did or didn't think they were qualified, or 4) had applied for employment before but had not been successful.

We were also told by these respondents that they are beginning to inform family and friends about job opportunities with their employers. As yet there is no hard evidence as to whether acquaintances or family members found jobs as a result of these referrals. With time, however, and with a sufficient number of neighborhood residents employed in these firms, it seems likely that information provided to peers and relatives will serve to increase access for relatives and neighbors.

While it is too early to find evidence, we think that additional research should be conducted to explore whether the reestablishment of hiring networks can have a transforming effect on communi-

ties. If a sufficient number of residents from within low income neighborhoods become employed in good quality jobs, do they serve as role models for other residents? Over time, might we expect to see changes in personal behavior of residents who might have heretofore given up on finding a good job?

## **Endnotes**

<sup>1</sup> Although NET is a private, nonprofit agency, it is located within the mayor's office, and indeed, shares the same receptionist.

<sup>2</sup> The Center for Community Change recently completed a report assessing the roles which nonprofit and cooperative temporary employment agencies can play in placing people in permanent as well as temporary jobs.

# 7

## What Factors Make a Program Successful?

Labor market conditions, program leadership, employment service provider capacities and public policy are among the internal and external factors that influence the growth, development and daily operations of linkage programs. It is difficult to point to one or two factors that have the greatest influence on the quality of outcomes. Nor is it possible to rank the factors in order of importance. It is, however, possible to list the factors that collectively determine how well a system will operate to produce results for low income job seekers and the businesses that employ them. Figures 2 and 3 provide graphic depictions of both internal and external factors that affect the success of employment linkage programs.

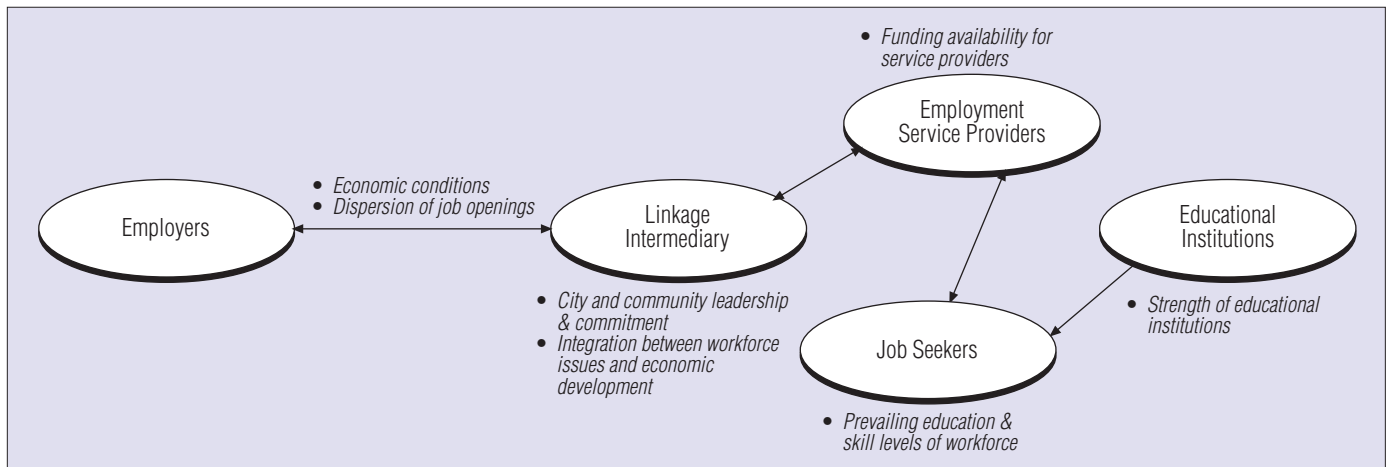
**FACTOR: Local economic conditions will influence program operations and scale of placements.**

Labor market conditions, including the type of growth, dispersion of job openings and quality of entry-level jobs, will significantly influence the scale of placements. In Berkeley, for instance,

where economic growth is modest and the local economy is dominated by small employers, First Source staff have a more difficult time placing residents because their efforts are spread across a range of disparate employers who are hiring one or two people at a time.<sup>1</sup> This dispersion is also likely to raise costs per placement when compared to larger scale hiring taking place at a few large firms. In contrast, Portland's economy is booming and JobNet staff are able to take advantage of a critical mass of employers in targeted industries, many of whom are hiring five or more people simultaneously. In both cities, linkage staff indicate that, given the transaction costs per firm, it is much more cost effective to place a number of people in one firm at a time than it is to place one person at a time in a single firm.

The tight labor markets in Portland and Minneapolis offer insight into how labor shortages can have an impact on job outcomes. With official unemployment in both cities hovering around 3 percent, there is considerable competition among employers for the limited number of qualified job seekers. The result is that many employers are

**Figure 2**  
**EXTERNAL FACTORS AFFECTING SUCCESS**



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***“Linkage programs link disadvantaged residents to employers who would not have considered these candidates on their own. Yet the strongest intermediary cannot quickly compensate for the failure of local schools or other formal educational programs.”***

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amenable to using alternative recruitment networks to find employees.

Portland's JobNet is experiencing a strong demand for its services, with demand now outstripping staff capacity to respond. Indeed, whereas in the past JobNet was able to offer its services to companies that were not parties to development agreements, they have either curtailed these services or have begun charging fees for placement/screening services.<sup>2</sup> Similarly in Minneapolis, NET affiliates have many more job listings than they can possibly fill. At the beginning of 1996, JOB LINK was providing job developers with more than 150 to 200 new listings per day. These conditions have produced a climate where employers are more likely to go outside their regular hiring networks to seek the services of the linkage programs.

We draw two important points based on the varying market conditions in Berkeley, Minneapolis and Portland. Linkage programs work well, though very differently, under both conditions. In fact, Portland's first source program was started during one of the worst recessions in that region's history. In regions where job growth is modest, linkage programs are important to ensure that residents who have been shut out are given a chance at getting some of the few opportunities available. Under these conditions, however, staff face a far more difficult task of ferreting out opportunities. In a city like Berkeley with a smaller labor market, staff need to spend more effort per placement, perhaps incurring greater costs, to match the scale of placements in locations with labor shortages and larger employers.

On the other hand, in times of labor shortage, although program staff may have to spend less time finding job leads, they are likely to have a more difficult task finding qualified job applicants since those who are better qualified and work-ready are likely to be working already.

***FACTOR: The prevailing education and skill levels of the workforce will affect the speed of response to job openings.***

Program outcomes for job seekers ultimately rest on the qualifications of the referred residents. Linkage programs address access issues by linking disadvantaged residents to employers who would not have considered these candidates on their own. Yet if job seekers do not demonstrate a willingness to work or are not prepared to tackle the responsibilities of the job, even the best linkage programs will fail in placing candidates.

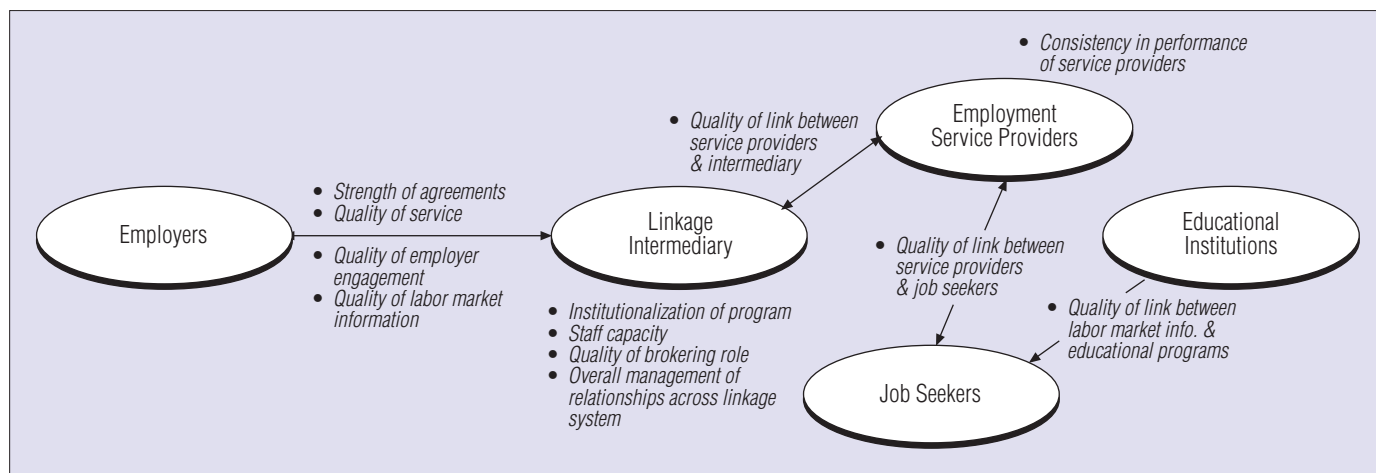
Part of the problem is the prevailing educational level, skills and the motivation of targeted populations, matched against the entry-level qualifications required by local industry. For instance, even entry-level jobs in some industries may go unfilled for lack of a qualified workforce. The strongest intermediary cannot quickly compensate for the failure of local schools or other formal educational programs.

We heard repeated complaints by employers in each city that workers lack both hard and soft skills. What employers found more troublesome was not the absence of technical skills, which can be taught on the job, but the lack of soft skills, such as motivation, ability to communicate and dependability. Even programs with potential may show only modest success in initial years if the prevailing education and skills of the targeted workforce are low. The less prepared the workforce is, the longer it will take to train them and the greater the difficulty in responding to jobs that are currently available.

Linkage programs such as those in Portland and Minneapolis recognize that the strength of their economy has helped them place a large number of people, but that their future efforts will depend on their ability to build the capacity of their existing unemployed workforce. Portland's JobNet is tackling this issue by investing time and funding in

**“Employer engagement is crucial. Employers in Portland’s semiconductor industry contribute millions of dollars to help develop training and education programs so they can be assured a steady stream of qualified applicants for their entry-level jobs.”**

**Figure 3  
INTERNAL FACTORS AFFECTING SUCCESS**



developing skills training for entry-level positions in targeted industries that offer good quality jobs with benefits. Minneapolis’ NET is testing a tier model of workforce development that builds career ladders across industries, by placing residents first in jobs in the secondary labor market and then moving successful residents to better-paying, related jobs in the primary labor market.

***FACTOR: The quality of employer engagement is a critical factor in performance and effectiveness.***

Whether it comes through the use of public leverage, labor shortages, civic duty, or other motivations, employer engagement is crucial to the quality of placement outcomes that linkage programs can produce. Minimally, employer engagement means that linkage staff are provided with good quality information on labor market demand in a timely manner.

Employer engagement can also result in employers playing quite an active role in building the

quality of their future workforce. Employers in Portland, motivated by the threat of labor shortages and the need to comply with first source agreements, have become actively engaged in designing new training programs and updating outdated curricula. Notably, employers in the semiconductor industry in Portland contribute millions of dollars to the development of training and education programs so they can be assured a steady stream of qualified applicants for their entry-level jobs. This is a wise investment because such applicants are a factor upon which their continued competitiveness depends.

In short, all three linkage programs’ staff use their leverage to gain initial relationships with employers, but all of them work to figure out how to build on employers’ self-interest. All three have chosen to treat employers as valued customers rather than parties to agreements to which each is forced to comply. They build trust and confidence by providing their customers with high quality services, thus maintaining employers’ participation and assuring continual access to high quality information on job openings.

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*“Enforceable first source agreements are the hook for employer’s participation, but the quality and consistency of service are what maintain participation.”*

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***FACTOR: Development incentives are important levers for encouraging employers to sign agreements and participate in first source efforts. However, regardless of the strength of the agreement, the degree of monitoring or the threat of sanctions for noncompliance, the best guarantor of repeat usage by employers is the quality of the service provided.***

The three programs employ a variety of economic development levers. Portland’s JobNet is at one end of the spectrum: relative to the other cities in this report, it provides a full array of incentives (property tax abatements, small business loans and revenue bonds) to new and expanding business. Though they rely on quality of service to employers to maintain relationships, they closely monitor compliance and are willing to sanction those deemed not in compliance. Berkeley’s First Source, in contrast, is located at the midpoint on the spectrum. It executes first source agreements, but relies on voluntary compliance and does not resort to sanctions. While the city has the authority to revoke permits and cancel loans if employers do not show good faith and hire from First Source’s applicant pool, the lack of enforcement and record-keeping would make it difficult to show lack of good faith. At the far end of the spectrum, Minneapolis’ NET has moved away from first source agreements and is now using “Employment Plans” as a way of getting employers to advertise job openings on a centralized database available to all employment and training agencies in the city.

Enforceable first source agreements constitute the hook for employer’s participation, but the quality and consistency of service are what maintain participation. In general, the strength of the agreements makes a difference at the *beginning* of the city’s relationship with employers. The stronger the agreement, the more likely employers are to take the program seriously, at least initially.

Although all three linkage programs’ staff use some kind of leverage to form initial relationships with employers, all of them then focus on figuring out how to build on employers’ self-interest. All three have chosen to treat employers as valued customers rather than parties to agreements to which each is forced to comply. They build trust and confidence by providing their customers with high quality services, thus maintaining employers’ participation and assuring continual access to high quality information on job openings.

***FACTOR: Traditional employer recruitment and hiring networks can be major barriers to increasing access for targeted groups.***

Firms that sign hiring agreements may already possess traditional sources of recruitment and hiring. In these instances, to broaden access to include job seekers from targeted groups, compliance monitoring may require breaking up or limiting the operation of the employer’s preexisting networks. In Berkeley, for example, the pattern among smaller employers is to have already well entrenched recruitment channels, making it harder to gain compliance. This issue was also highlighted by Portland’s JobNet staff, who indicated that one reason why the greater amount of time spent with small employers generally does not translate into more placements is the tendency of these employers to be less flexible and more tied to their own recruitment networks. In short, a strategy for getting past the existing hiring networks is likely to be necessary, time consuming and costly.

***FACTOR: The capacity of employment service providers is critical to the success of a linkage program.***

The capacity of employment service providers to deliver quality candidates and their active participation in the linkage system seem to be greater

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***“Without efforts to build the capacity of employment service providers, the result will likely be agreements reached with great fanfare, but with modest ability to deliver a flow of candidates who can take advantage of the agreements.”***

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determinants of success or failure than employer compliance with hiring agreements. Judging from our review of a number of other linkage programs, it is unfortunately typical for first source agreements to serve more as momentary publicity for businesses, developers and local governments than as lasting pathways through which targeted populations can find work. Without efforts to build the capacity of employment service providers, the result will likely be agreements reached with great fanfare, but with modest ability to deliver a flow of candidates who can take advantage of the agreements.<sup>3</sup> Indeed, the apparent failure of linkage programs to generate excitement among economic and employment development practitioners appears to be a reflection of the lackluster performance norms established by most programs. In short, the capacity of employment service providers to deliver seems to be at least an equal if not greater determinant of success or failure than failure to monitor compliance or employer evasion of agreement requirements.

***FACTOR: Quality management is essential to the success of the collaborative.***

In addition to the individual competencies of the institutional partners, the quality of coordination across the partner agencies influences the quality of outcomes for employers and job seekers. As intermediaries, the linkage programs sit at the hub of a number of partners. The intermediary makes sure that information is disseminated to partners in a timely manner. It provides quality control and final screening before candidates are referred for employment. Failures along the flow of information in one direction, or in the flow of candidates in the other, will mean that outcomes will suffer: service providers may not get the information in time to recruit qualified residents; outreach may yield few residents if community agencies are not connected to their constituencies; training may be inappropriate for the skills required by employers, or candi-

dates might be inadequately screened. Poor coordination or unclear lines of communication can result in a system with many disparate parts.

The three programs are distinguished by the quality of coordination and general management of the linkage intermediary. Furthermore, even though at least one of the programs seems understaffed, all operate effectively with a surprisingly small staff. The key ingredients seem to be staffing the collaborations to assure continuity between meetings, troubleshooting for poorly performing members, providing mediation with employers and managing job leads and other information flows to partners.

***FACTOR: Leadership and commitment by local government and program staff are necessary for continuity and longevity.***

In the three cities, the leadership and commitment displayed by city and nonprofit staff have contributed to each program's longevity. The strong positions taken by Portland and Berkeley with respect to how economic development incentives are to be used have resulted in a close connection between economic development policy and poverty alleviation. Rather than seeing poverty alleviation and economic development activities as mutually exclusive agendas, these cities have made sure that these two activities complement and reinforce each other.

## **Endnotes**

<sup>1</sup> Indeed, the considerable differences among the three cities' economies support our view that placement levels of the three programs should not be compared.

<sup>2</sup> In two instances, where the county is collecting fees from companies that receive benefits from the Strategic Investment Program (SIP), JobNet is a subcontractor to the County and in turn provides its services to the companies.

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*“In the three cities, the leadership and commitment displayed by city and nonprofit staff have contributed to each program’s longevity.”*

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<sup>3</sup>This is analogous to Community Reinvestment Act agreements in locations which lack the capacity to use the agreements to build affordable housing or to ensure that community residents and businesses

effectively use their new access to credit. The result is a publicity coup for banks and some local governments, but few or no lasting benefits to affected communities.



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## How Should These Programs Be Adapted in Other Locations?

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The country would benefit greatly from expansion and replication of employment linkage programs like the ones analyzed in this study. They have proven to be highly effective in connecting jobs with the people who need them most. They are providing a valuable service which is even more necessary in this era when massive numbers of people are being moved from “welfare to work.”

We strongly believe that the approaches to job linkage which have been pioneered by the programs we studied—and by local officials, community groups and others elsewhere—should be supported and replicated in other locales. We urge local governments and community groups to take the lead in this process, and recommend that private funders and government officials provide financial and policy support for the creation and expansion of employment linkage programs.

However, any replication process should take into account the central lesson from past attempts to transfer successful programs from one location to others. Rather than attempt to transfer models intact, it is usually far better to distill key features that can be adapted and molded to fit other contexts. To replicate programs successfully requires careful attention to the differences in local context (e.g., the economy and labor market, possible lead organizations and individuals, current and potential partnerships), a serious commitment to building capacity over time, and growing support for phased development of an increasingly complex set of interventions.

The three programs we investigated point to the diversity among employment linkage strategies. While each is successful, they are quite different from each other. Yet they contain commonalities that can be adapted to other locations. The following summary of key features provides guideposts for others to consider in developing what should be home-grown linkage models.

◆ ***Think of linkage programs as reformed workforce systems rather than simply as programs for the disadvantaged.***

Major systemic changes result when linkage programs entail both a restructuring of relationships among employment service providers, community colleges and employers, and an effort to enhance the performance by each participant. Such linkage programs produce reformed workforce systems, rather than simply programs for the disadvantaged. They involve a high level of buy-in by public and private leadership, and demand changes in how participants engage in their core work.

◆ ***Find the right balance between demand-driven and supply-driven linkage models, combining “carrots” and “sticks.”***

We found both the demand-driven Portland program and the supply-driven Minneapolis program to be successful, even though they take nearly opposite approaches in driving their respective systems. Portland’s demand-driven system works, but because it does not expose most employment service providers to the market or force them to work directly with employers in planning how their services should be changed, it does not foster stronger infrastructures in those agencies. While the Minneapolis program works because it assures a steady supply of quality candidates, it may find the going tougher when unemployment increases, and it faces the same task without the benefit of strong first source agreements. Berkeley’s program is working to strengthen both sides of the system (demand and supply) but its performance has been modest.

In most places the key to success is finding the appropriate combination of capacity to provide

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***“Rather than attempt to transfer models intact, it is usually far better to distill key features that can be adapted and molded to fit other contexts. To replicate programs successfully requires careful attention to local differences.”***

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quality candidates (the carrot) and recourse to sanctions for those refusing to uphold their end of the agreement (the stick).

◆ ***In regional economies where multiple cities compete for business, seek a region-wide approach to employment linkage.***

Portland’s regional approach to program participation has great advantages. Since firms have choices of locations within and among metropolitan areas, it seems important to avoid circumstances whereby one city is played off against another in efforts to develop hiring agreements in exchange for development incentives. Where possible, it may be better to take a regional approach to employment linkage in order to avoid a local bidding war. Although Berkeley is not pursuing regional first source agreements, it is extending its network of employment service providers to include the neighboring towns of Emeryville and Albany, thereby reducing competition among them. Similarly, NET in Minneapolis includes employment service providers from the surrounding suburbs in its collaborative, and JOB LINK is considered a regional tool to assist employment service providers in the St. Paul/Minneapolis region.

◆ ***Gain broad-based political support to enable programs to survive changes in city administrations.***

Public sector support is essential to make linkage programs successful. Fundamentally, public sector officials must make the link between economic development and poverty alleviation. They must be willing to make major investments to improve public agency performance (economic development departments, employment and training programs, public educational institutions, etc.), and

strengthen the capacity of employment service providers. They and their partners must see that they share mutually reinforcing and supportive goals of strengthening the economic benefits for residents while strengthening the competitive advantage of the region’s economy. In this line of thinking, if low-skilled, unemployed residents have access to better training, this gives them an advantage in the labor market which, in turn, strengthens the region’s competitive position.

Lastly, support for the program must be broad enough to enable the program to survive long-term. This requires that community groups and public officials work together to build such broad-based community support for linkage programs that those programs are not wiped out by changes in political leadership.

◆ ***Hire capable, devoted staff with capacities to work with a range of stakeholders.***

Despite the differences in lead agencies (non-profit in Minneapolis, local government in Portland and Berkeley), what was consistent across the sites was capable and devoted leadership. Each has dedicated full-time staff to the task, whose attention is not diverted to other, non-linkage related activities, and who have the capacity to work with relative ease with the nonprofit, public and private sectors. Beyond simply maintaining good relations, staff must understand the motivations and interests of each party and how best to gain their participation. When conflicts arise between partners, staff must be able to mediate in a manner which assures continued participation. Although it is difficult to describe staff capacity in concrete terms, some commonalities include a professional approach to work, the ability to find common ground, innovative problem-solving skills, accountability for the quality of results, and the ability to influence and control the quality of their partners’ work.

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*“What these programs strive to do is get employers to invest in rebuilding the workforce in a way which serves the interests of disadvantaged people.”*

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◆ ***Develop strong knowledge of regional labor markets.***

Linkage intermediary staff must develop a strong understanding of labor market trends and individual employer workforce needs. By developing the systems and personal contacts needed to understand and anticipate market trends, intermediary staff will be able to translate this knowledge to their partners in ways that build their capacity to refer qualified job seekers. This understanding also increases the intermediary's ability to craft innovative solutions to employers' workforce issues while finding roles for their partner agencies in addressing those issues. Similarly, by being attentive to industries' needs, staff build the confidence and trust of area employers. Ultimately, this trust and connection result in employers' willingness to share additional information about future hiring trends, thereby further increasing staff knowledge of emerging demand, which staff can then translate into information that gives a competitive advantage to linkage program clients.

◆ ***Develop close relationships with employers. While agreements may get you an audience, the quality of the service will determine whether employers become repeat users.***

The process of building close relationships with employers is ongoing. Several of the cities have used both economic incentives and first source agreements as methods for gaining employers' initial attention. While the first source agreement allows staff to get their foot in the door, good quality service will likely determine the long-term quality of employer relationships. The key to success over the long run is viewing employers as customers, offering them recruitment, screening and referral services that are marketed as value-added services that serve their self-interest by saving them time

and money and helping them meet production schedules.

Over time these programs attempt to create a dynamic in which companies become willing to actively work with the linkage intermediary to address larger training and education issues, or work with the intermediary on a particular problem that is not necessarily within the confines of the agreement. This type of involvement can only be achieved when employers see that their interests have been well-served in the earlier stages of their relationship with the intermediary. In effect, what these programs strive to do is get employers to invest in rebuilding the workforce in a way which serves the interests of disadvantaged people.

◆ ***Create a market-driven service delivery system.***

Past efforts of employment service providers to place residents in private sector jobs often have been uneven due, among other things, to providers' lack of connections to the labor market. In general, because employment service providers do not see their role as serving labor markets, they see themselves as serving individuals. As a result, they often behave in ways that do not respond to market demands. Yet the volatile and often unforgiving nature of the labor market sorts out weaker service providers, while strengthening those able to improve their operating efficiencies. By creating forums where employment service providers can talk to employers, understand their business operations, hear about their labor force needs, and, importantly, gain feedback on the performance of those they refer, linkage programs can begin to expose providers to the demands of the labor market in ways that lead to enhanced performance.

These lessons are distilled from the long experience of the three pioneering programs analyzed in this study. They provide essential guidance for public officials and the leaders of community orga-

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*“We strongly recommend that both private philanthropy and public agencies provide substantial support for the expansion and replication of employment linkage programs.”*

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nizations who are seeking effective ways to link jobs in the mainstream economy with the people who most need them.

These linkage programs deserve both support and thoughtful replication. On the basis of this study and the growing need to develop new ways to connect people with jobs, we strongly recommend that both private philanthropy and public agencies provide substantial support for the expansion and replication of employment linkage programs. This should be done by supporting the continuing growth of existing programs and reaching out in phases to provide support to the next generation of linkage programs.

This replication process should include the following six elements:

- 1. Financial and technical assistance** to further strengthen the best existing linkage programs in order to help them expand their impact and continue developing and testing additional innovative approaches from which others could learn, and in order to enlist the cooperation of their leadership in efforts to stimulate others to learn from their experience and adopt their best practices.
- 2. Development of a network** that brings those most advanced groups together with somewhat less sophisticated groups to facilitate peer learning and speed up the process of learning, replication, experimentation and expansion.
- 3. Development of useful materials** and an ongoing exchange of information so that other groups can learn from the experience of these pioneering groups.

- 4. Outreach through training and technical assistance** to stimulate other organizations to adopt these successful approaches.

- 5. Seed money for start-ups and operating support for ongoing programs** as well as new programs. This component should specifically include support to help existing economic development and business assistance programs add linkage and job targeting elements to their current activities *if* the local leadership develops serious plans for linking lower income people to work. Those plans should include hiring agreements, effective monitoring and enforcement measures, and the building of the working relationships and providing the services which this study demonstrates to be essential. It should also specifically include support for groups and cities which have entered into hiring agreements but not yet developed the support systems which would enable them to maximize linkage. Such support could significantly expand the effort's reach in the short run by building on existing relationships and programs rather than developing them from scratch.

- 6. Planning funds** to enable community groups, other nonprofits and local governments to develop plans for creating employment linkage programs. These funds should be combined with a program of training and technical assistance which is geared to build local capacity and ensure that the new programs benefit from the lessons which can be learned from earlier experience elsewhere.

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# Appendix

## Methodology

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In the spring of 1995 our research staff spent time surveying a number of experts in the community economic development field to gain their input on the range of economic development strategies operating in low income communities that are attempting to connect residents to job opportunities in the private sector. Our telephone surveys and in-person interviews drew on the expertise of persons across diverse disciplines, including community development practitioners, foundation officials, academic researchers, technical assistance providers and local government representatives.

The research group also spent time reviewing current and past economic development literature to get a thorough understanding of best practices in the field. From these early discussions and our literature review, our staff decided to undertake an in-depth investigation of public sector employment linkage strategies. In choosing this strategy for investigation, the team sought to provide information to practitioners on a strategy that has not received significant attention in the past but nonetheless is worthy of consideration as an effective approach to linking disadvantaged residents to job opportunities.<sup>1</sup>

Sites were selected for the investigation based on the following criteria:

- ◆ **Program maturity:** the length of time the site had operated the program and the degree to which the site was able to demonstrate “success” in placing low income residents.
- ◆ **Geographic distribution within the country:** the team sought to include sites from different parts of the country in order to draw on different experiences, economic conditions, locational factors and population bases.
- ◆ **Program approaches:** both in terms of the strength of the levers available and the approach used to engage employers.
- ◆ **Availability of data:** we sought to gain an in-depth profile of the residents the program was placing and required data to be easily accessible to our team.
- ◆ **Interest of program staff:** since our investigation required access to records and a range of institutional partners that are a necessary part of the linkage delivery system, interest and willingness to participate was a necessary condition.

The site selection process included one-day site visits to six localities: Seattle, Washington; San Diego, California; Cleveland, Ohio; Portland, Oregon; Berkeley, California; and Minneapolis, Minnesota. Site visits included interviews with program staff, community-based organizations and local policy officials. Based on these interviews, program documents and the criteria described above, the team chose to include three programs for this in-depth analysis: JobNet in Portland, Oregon, First Source in Berkeley, California, and NET in Minneapolis, Minnesota.

Following site selection, the research team visited each locale a second time for more comprehensive interviews. The research team spent three to four days on site interviewing employers, program staff, local elected officials, community service providers, employment and training staff, education representatives and local government representatives. In addition, the team conducted focus groups with employees placed through the linkage program.

Research instruments varied for each category of stakeholder interviewed. Data on job placements were obtained from linkage program staff and then the team spent time disaggregating and compiling placement statistics. In two sites the team hired local staff to enter raw data from intake forms into a computer database in order to give us a more accurate profile of the residents placed. Additional data were gathered from local sources in each site in order to compare placement data to local trends.

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*“Despite the thoroughness with which we attempted to conduct our analysis in each locale, we were severely limited by the quality and availability of data.”*

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Additional data came from the 1990 U.S. Census, city, county and regional government studies, County Business Patterns and Private Industry Council data. Where available, local economic development surveys and studies of the targeted low income neighborhoods were used. Through an extensive literature review, the team collected secondary evidence from the fields of economics, sociology, political science and anthropology (see the bibliography).

Despite the thoroughness with which we attempted to conduct our analysis in each locale, we were severely limited by the quality and availability of data. Each program was developed on its own, in increments, rather than being part of a uniform national project. Therefore, the availability of data varies from site to site, making cross tabulation as well as cross site analysis difficult. In particular, we could not obtain uniform data on placements based on reasonable age categories, extent of past work experience, public assistance receipt, past wage levels, or retention rates. And while we relied on ethnic and income statistics as a proxy to signify “economically disadvantaged” status, income levels were defined differently by each site at program intake. Conversely, we were also not able to obtain a profile of the residents these programs turn away. All this said, while data analysis is inherently “messy,” we hope our analysis will provide a needed first step for others who are interested in understanding the merits of this economic development strategy.

It is worth noting that prior to site selection our team assumed we would identify independent

stand-alone programs to investigate. We found that linkage programs are not independent entities. That is, they are very much dependent on sets of multi-institutional relationships for their operations and impacts. Our ability to ascertain how well the programs we investigated are doing in placing low-skilled, unemployed residents is therefore qualified as no attempt was made to judge the individual performance of the organizations connected to the linkage programs. Where possible we make reference to the importance of the strength of the relationships across the institutions that comprise the linkage delivery system.

Finally, while this study is intended to provide broad lessons from the range of programs investigated, comparisons and generalizable features serve a useful, yet limited purpose as each program must be considered against the backdrop of its local context. We urge readers to refer to the detailed case studies for a more thorough description of local context as well as program elements and outcomes.

## Endnotes

<sup>1</sup> The reader should note that in choosing this strategy our team sought to avoid duplicating the work of other researchers in the field. We purposely stayed away from other strategies where a rich body of literature exists. Furthermore, in choosing this strategy and the others in our series of studies, the team is by no way suggesting that employment linkage is more successful than others. Rather, our team firmly believes that low income communities, populated by residents with diverse needs, need to draw from multiple strategies at the local level that reflect and address local conditions and needs.

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