Brookings Metro

Institutionalizing inclusive growth:

Rewiring systems to rebuild local economies

CASE STUDY

St. Paul, Minnesota

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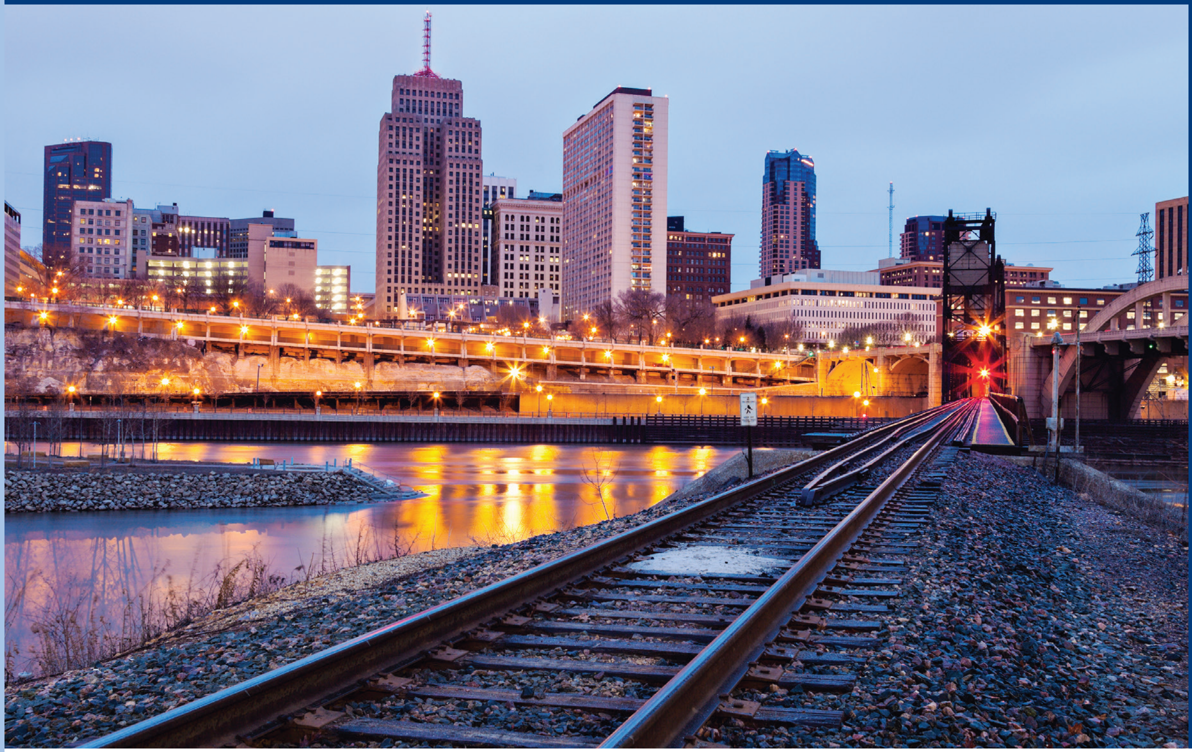


Background

In 2015, Derek Thompson of The Atlantic wrote an article titled "The Miracle of Minneapolis," extolling the region's unique blend of "affordability, opportunity, and wealth."[1] It cast the Minneapolis-St. Paul model of economic development and regional planning as an alternative to the status quo, in which young Americans face the choice of settling in "affordable but stagnant" metro areas with low rates of economic mobility or "economically vibrant cities whose housing prices eat much of their paychecks." Later that year, The New York Times reported on the Itasca Project, a behind-the-scenes, CEO-led, McKinsey-staffed effort to shape the region's economic agenda. The article suggested that the Itasca Project had helped turn the Twin Cities into a region that is "creating the kinds of higher-paid, knowledge- and skills-based jobs that provide entree into the middle class today" and noted that leaders across the U.S. and globe sought to imitate its success.[2]

The Atlantic article inspired a series of rebuttals. Betsy Hodges, then-mayor of Minneapolis, did not trumpet the article. Instead, she went on public radio and emphasized that "we have some of the biggest racial disparities in the country."[3] A follow-up article in The Atlantic pointed out that the policies that helped create the region's "miracle" were put in place at a time when less than 1% of Minnesota residents were people of color, whereas the nonwhite share of the region's population is now over 20%.[4] In 2015, the regional economic development organization Greater MSP released its first Regional Indicators Dashboard, which found that Minneapolis-St. Paul had the lowest poverty rate among white residents and the highest poverty rate among people of color compared to 10 peer metro areas.

The gap between these two narratives became a national storyline after the racial unrest following the killings of Jamar Clark in 2015, Philando Castile in 2016, and George Floyd in 2020. Economic development leaders who had long envied Minneapolis-St. Paul's economic success and progressive public-private partnerships now wondered how they could avoid the outcomes that the Twin Cities were grappling with.

Minneapolis-St. Paul's public, private, and nonprofit leaders recognize that the next era of economic development efforts in their region must be different, both strategically and institutionally. This is not a new recognition—several of the interventions in this case study have existed in some form for at least five to 10 years—but there is a new commitment among more traditional economic development actors to embrace equity and inclusion as core tenets of their strategies, and make new efforts among community development and neighborhood nonprofit organizations to engage more directly in region-wide economic development efforts.

This new era of economic development strategies will have to make progress in three key areas. First, leaders must continue to invest in the underlying strength of their economy, which cannot be taken for granted at a time when so-called "superstar" regions are pulling away from others (including Minneapolis-St. Paul) in terms of creation and attraction of businesses and jobs in the industries of the future. Contrary to its "miracle" status, Minneapolis-St. Paul had middling scores for growth and prosperity between 2009 and 2019 in Brookings' Metro Monitor (28th and 22nd, respectively, out of 53 large metro areas). Second, leaders must extend the opportunities created by this economy far more equitably by race and place. And third, these strategies must incorporate the voices of more people and build new networks that connect emerging BIPOC-led coalitions, new equity-focused organizations, and long-standing institutions that have shaped the region's economic agenda for the last decade or more.

This case study outlines the early stages of this process. It focuses on St. Paul, which is nearly unique among the 70 older industrial cities identified by Brookings Metro in that it is situated in a metro area that has not struggled to grow jobs in new sectors. Despite a favorable regional environment, however, St. Paul still has many of the challenges of older industrial cities. Its population, while growing steadily for the past 15 years, is still below its 1960 peak. As the city has depopulated, it has diversified: Ramsey County, of which St. Paul is the principal city, is the state's most diverse county, with a population that is 37% people of color. Because St. Paul cannot take growth within city boundaries for granted, but is situated in a relatively high-growth region, it has to be thoughtful about addressing poverty and racial inequity by linking its residents with regional assets. This case study should be of use to other older industrial cities that look more like the distressed portions of St. Paul as well as higher-growth regions that are trying to figure out how to extend the benefits of growth to neighborhoods that have been excluded.

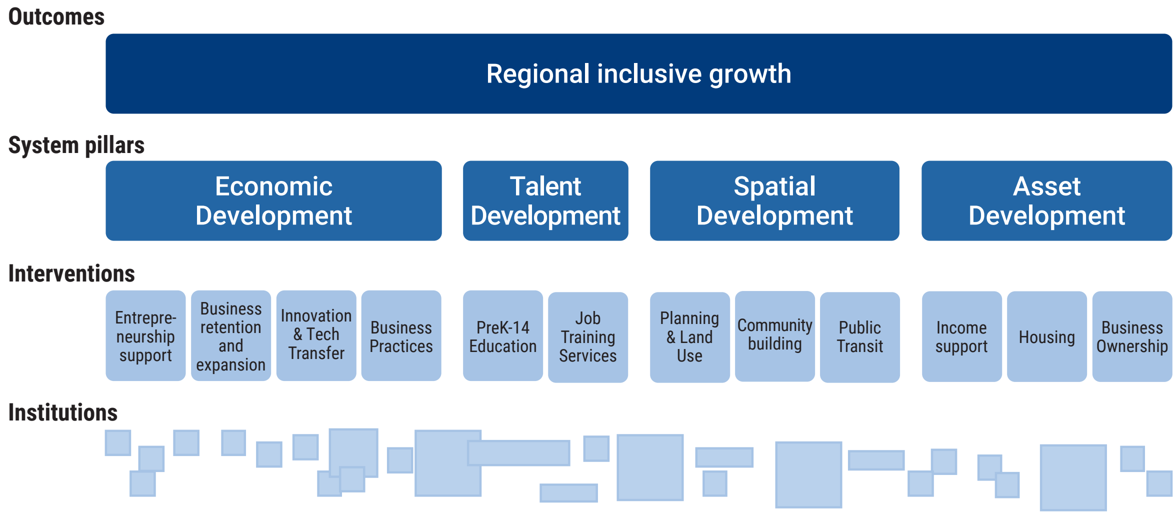
What is a regional economic system?

Regional economic systems are complex, meaning that their outcomes are influenced by the hard-to-measure interactions of markets and institutions. To help make sense of all the inputs that shape regional economic outcomes, this case study explores St. Paul's regional economic system through four contributing "system pillars":

- **Economic development**: Entrepreneurs and businesses participate in regional economic systems through the production of goods and services, the creation of jobs, the hiring and training of workers, and the generation of new knowledge and innovation. The economic development pillar consists of institutions and policies that help enable the creation, innovation, growth, and attraction of businesses (and thus jobs). In recent years, a new dimension of job creation policies has sought to influence business practices and norms related to hiring, supply chain procurement, and diversity, equity, and inclusion strategies.
- **Talent development**: Individuals and workers participate in regional economic systems by contributing their talent and time to the production of goods and services through labor markets in exchange for wage income. The talent development pillar consists of institutions and policies focused on helping individuals build their skills and capabilities (e.g., education, workforce development) and the employers with which these organizations sometimes partner to place individuals into jobs.

- **Spatial development**: Regional economies are not only business and labor markets, but physical spaces whose built environment influences economic opportunities for residents and businesses. The spatial development pillar consists of the physical and social infrastructure that enables economic participation, which includes public, private, and nonprofit organizations focused on transportation access, community-building, and housing and land use.
- **Asset development**: Together, the first three pillars shape the productive structure of a local economy and how it shares the income generated by that production. Of course, income gains ultimately lead to greater assets and wealth, but asset development is a separate pillar because it is predominantly driven by the systems that influence ownership—of homes, businesses, and financial assets. The asset development pillar consists of institutions and policies focused on building those assets through financial planning, homeownership, real estate ownership, and the creation of worker-owned businesses. Wealth, independent of income, also affects how individuals participate in regional economies—the neighborhood one can live in, the school one can attend, and the capital one can access to start a business or fund their education.

Figure 1. Local institutions influence regional economic performance through interventions in four main system pillars: economic development, talent development, spatial development, and asset development



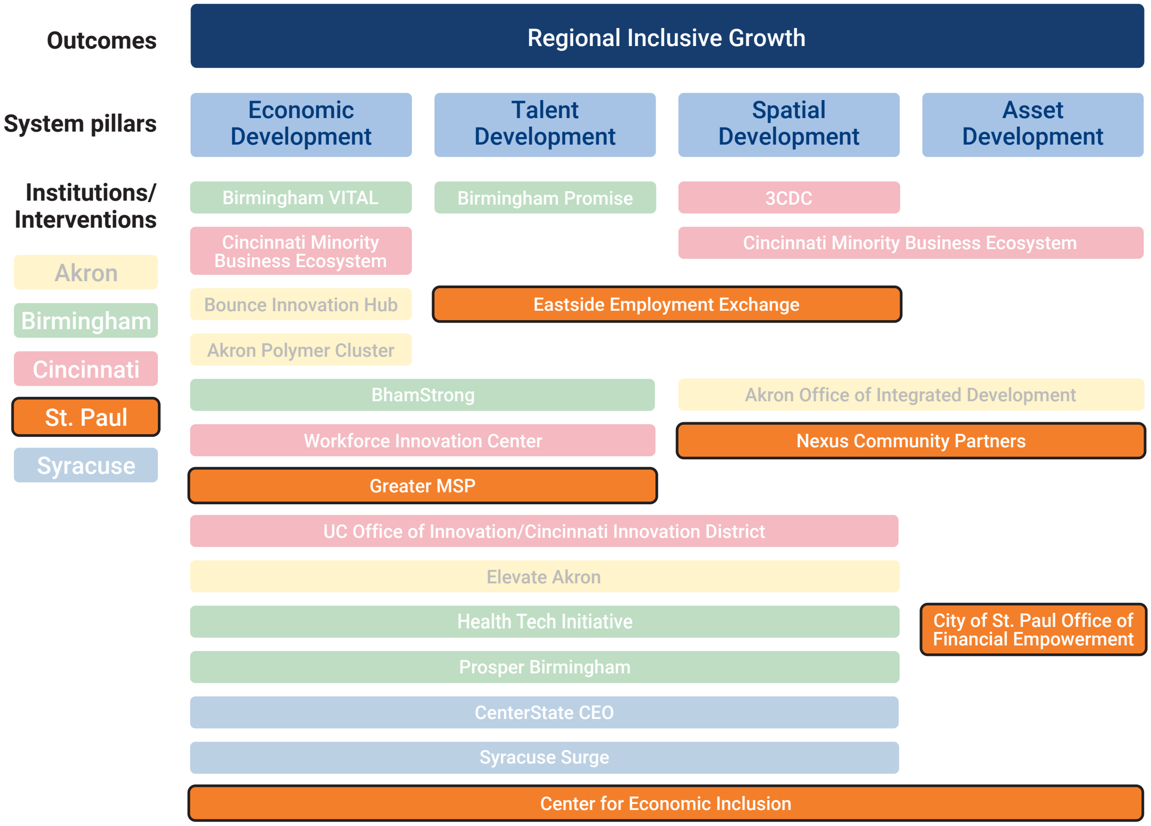
Source: Brookings Metro interview and case study findings

What is systems rewiring?

Regional systems can be rewired in two ways, both of which lead to more inclusive growth. First, changing ***for whom*** systems work, by adopting more specific, disaggregated goals and targeting strategies toward excluded populations. Second, changing ***how*** systems work, by investing in interventions that build capacity either within a system pillar or through collaboration across pillars to drive impact at greater scale. These are often reinforcing purposes, in that committing to a greater emphasis on advancing inclusion forces systems to add capacity to meet those new goals.

This case study documents the institutions involved in five interventions that are rewiring the regional economic development system in St. Paul by pushing existing growth-oriented systems to focus more on inclusion or building capacity in systems that are already inclusion-oriented.

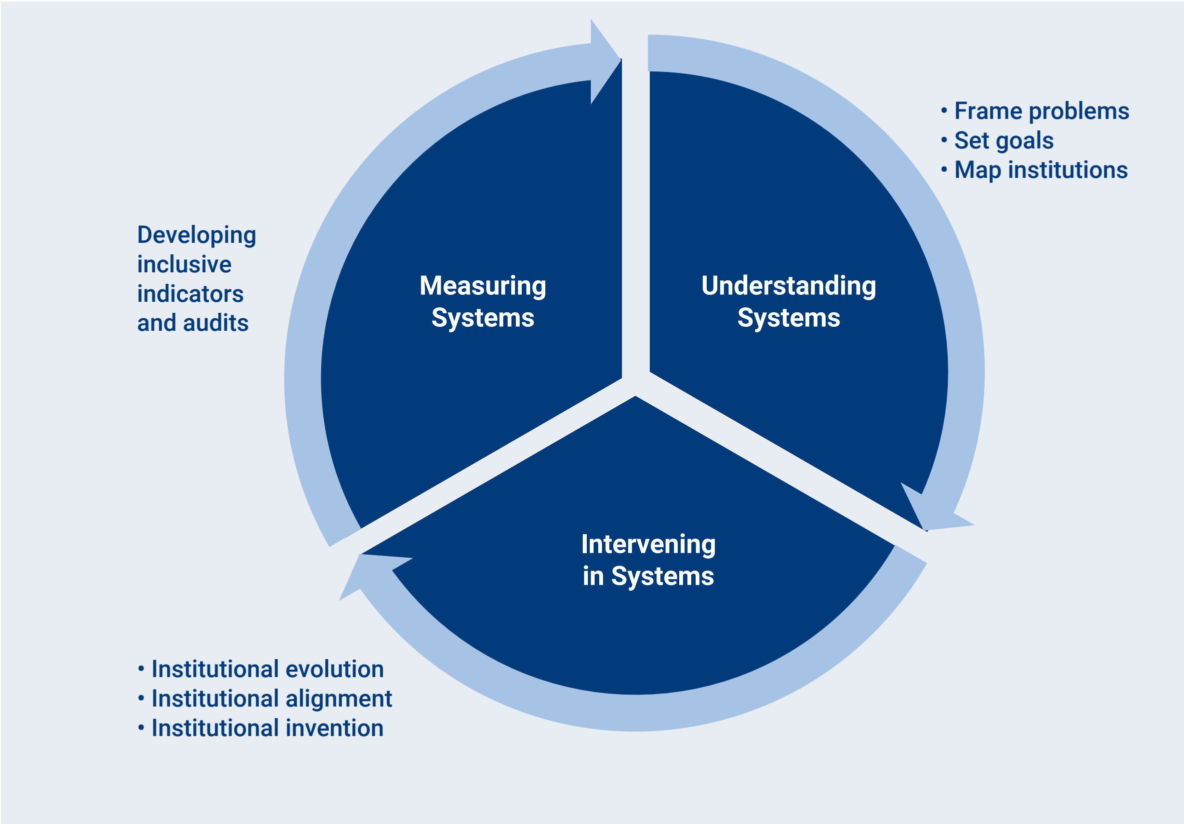
Figure 2. **Five city case studies profile institutions that are spearheading 20 inclusive growth interventions across four system pillars**



Source: Brookings Metro interview and case study findings

The conclusion from these five interventions—along with 15 other inclusive growth interventions from four other older industrial cities codified in this guidebook—is that systems rewiring has several components: ***understanding*** the regional system, ***intervening*** in the regional system, and ***measuring*** the regional system.

Figure 3. **Rewiring regional economic systems requires understanding systems, intervening in systems, and measuring systems**



Source: Brookings Metro interview and case study findings

The three components each have sub-elements that correspond closely to discrete processes or projects that leaders often go through within their organizations or as part of regional coalitions. Importantly, the ordering of these components and sub-elements does not imply that rewiring occurs through an organized, centralized, or linear process. This is especially true in St. Paul, which is the largest of the five metro areas profiled in this project—it is 1.5 times the size of Cincinnati, the second-largest metro area profiled, and six times the size of Syracuse, N.Y., the smallest metro area profiled. St. Paul, especially when combined with neighboring Minneapolis, has an abundance of relatively high-capacity economic, workforce, and community development organizations, and thus has an abundance of overlapping strategies and processes. Two institutions described in this case study—the Center for Economic Inclusion and Greater MSP—have invested significant effort in creating shared indicators and interventions that help guide the collective work of these organizations. Still, systems rewiring in St. Paul is best understood as a continuous, complex process—not a step-by-step recipe.

Systems rewiring requires finding those leverage points where new investments, institutional shifts, or multi-institutional collaborations can most effectively reduce barriers that prevent workers and businesses from meeting their productive potential. The interventions described in this case study capture five key ways in which St. Paul is acting on these leverage points, with multiple institutions working in new ways across economic development, talent development, spatial development, and asset development to advance inclusive growth.

CENTER FOR ECONOMIC INCLUSION

Leaders gather at the Center for Economic Inclusion's "Powering Inclusion Summit" in 2018.

Five inclusive growth interventions

A new institution created to advance inclusive growth by shaping economic development priorities, business practices, and public policy

System pillars: Economic development, talent development, spatial development, asset development

Rewiring process: Institutional creation, measuring systems

Key institution: Center for Economic Inclusion

The Center for Economic Inclusion, formed in 2017, is an organization that defies easy description. It is an independent, nonprofit organization with 20 staff members, which aims to shape the behavior of economic development and workforce development systems, the practices of businesses, and state and local policy—all with the goal of increasing racial equity. It does so through a diverse portfolio of tools and services, including regional economic indicators, programs that convene groups of employers to set goals and adopt new practices related to racial equity, and consulting engagements with firms, anchor institutions, and government agencies.

Catalyst

The Center for Economic Inclusion's work has become especially urgent and visible after the murder of George Floyd in May 2020. But the Center's founding was catalyzed by the killing of another Black man, Jamar Clark, by Minneapolis police officers in November 2015. The unrest following the killing culminated in several weeks of protests at the Minneapolis Police Department's 2nd Precinct, highlighting deep racial divides in the Twin Cities. In response to this unrest, a group of CEOs from major Twin Cities-based corporations that are part of the Itasca Project (including US Bank, Target, General Mills, Ecolab, Medtronic, and Wells Fargo) convened a group of Black nonprofit executive directors to form the Itasca North Minneapolis Partnership.[5]

One of these seven leaders was Tawanna Black of the Northside Funders Group. She ended up leading much of the work of the North Minneapolis Partnership over the subsequent two years, in collaboration with Living Cities' Integration Initiative. The purpose of the Partnership was to create a cross-sector collective impact effort focused on closing racial disparities in North Minneapolis, which since the 1990s has been home to the region's largest Black population. The programmatic emphasis was on housing, small business support, and inclusive procurement efforts related to major light-rail projects, as well as workforce development.

In 2017, two years after the formation of the Partnership, Tawanna Black left her role at the North Minneapolis Partnership to form the Center for Economic Inclusion (CEI). A new nonprofit organization, CEI was in part intended to sustain the work of the Partnership, which had shown promise—CEOs were actively engaged, there was a commitment to data- and results-based accountability, and the cross-sector table had helped shed light on the ways the workforce system was disconnected from employers. (The Itasca Project is designed to incubate initiatives but not deliver ongoing programming, so it was not going to indefinitely support the effort.) But CEI was also intended to address private and public sector shortcomings that the Partnership's work revealed.

The first shortcoming was the private sector's inability or unwillingness to confront racial and economic disparities—especially in terms of Black unemployment—with the necessary commitment or scale. "This region was obsessed with employment, but not committed to it," Tawanna Black noted. She cited a program designed in Minneapolis-St. Paul to address Black male unemployment that was successfully replicated in New Orleans, in part because then-mayor Mitch Landrieu aggressively recruited employer participation. In Minneapolis-St. Paul, by contrast, the largest employers appeared less committed. More than 200 employers hired people from the program, but less than 10 employers ever hired more than five people. Black recalled leaving a meeting during the period just before the CEI's formation thinking, "We're talking all the time and meeting all the time, but we're never going to move the needle—we have to create something different."

The second shortcoming was the region's apparent inability to codify lessons about racial inequities into policy. Tawanna Black cited the construction of the Central Corridor light-rail line, where a number of bad policies prevented procurement spending from benefitting minority-owned businesses. With a new Southwest Light Rail project under construction until 2025, Black suggested that these lessons haven't been codified into new policies: "It's not that this region doesn't know what to do, it's that we don't care enough to institutionalize what we've learned."

It was easy to make the case for adding capacity to the regional economic development system to focus on closing racial disparities. At the time of the CEI's founding, 81% of white working-age residents were employed, compared to 71% of people of color—the worst disparity among the nation's 25 largest metro areas. Among those 25 regions, Minneapolis-St. Paul also had the worst racial disparities for poverty and homeownership. Its rankings were not much better for racial disparities in income and educational attainment.[6]

It was harder, however, to make the case for housing this additional capacity in a new nonprofit. Other regions have typically retrofitted existing economic development organizations to focus on inclusive growth by adding new staff and initiatives. There are potential advantages to this approach, in that these organizations may be able to more quickly "mainstream" inclusion as a priority, since they already set the region's economic agenda, shape the corporations' priorities, and provide technical assistance and funding to small businesses. The Twin Cities had no shortage of organizations that could have done this work: two large chambers, a high-capacity regional economic development organization, and lots of smaller organizations and intermediaries.

Yet, that didn't happen. So, CEI was founded for two main reasons.

First, CEI would have a different perspective from existing organizations. For example, Tawanna Black noted that there were missed opportunities to aggregate policy advocacy efforts across race and sector: When CEI was founded, both Fortune 500 companies and Black pastors were supporting the same transit policies at the capital, but not in coordination. An organization outside of—but connected to—the mainstream economic development and community development systems would be best positioned to see these opportunities for alignment. This different viewpoint would also manifest in CEI's stance toward businesses. Black described CEI as being created "to disrupt and to serve the business community." In other words, part of CEI's role is to help businesses become more successful by challenging their beliefs and behaviors. That means CEI wouldn't just address issues in the workforce system—it would challenge bank leaders about mortgage denial rates for middle-income earners of different races. CEI wouldn't just study housing inequities—it would talk to businesses about benefits they could be offering their low-wage workers (rather than just offering down payment assistance to higher-wage workers).

Second, as a new organization, CEI would have racial equity "deeply interlinked to its values and its business model." Tawanna Black has seen many economic development organizations treat inclusion as an "add-on" because a funder was willing to provide a few hundred thousand dollars. CEI differentiated itself from its peer organizations in its focus on Black and brown leadership and power. "We are committed to understanding the role of power, shared power, and the transference of power," Black said. "This is different from economic development, even though it can sometimes create the same outcomes."

Execution and key stakeholders

The Center for Economic Inclusion's work is about building partnerships and influencing systems, whether in the form of organizing the public and private sectors around shared indicators, consulting directly with businesses, organizing coalitions of employers to create shared accountability for changing policies and practices, identifying and scaling promising neighborhood-level initiatives, or advocating for local and state policy change. The breadth of CEI's work means that almost every organization in the region's economic development, workforce development, and community development systems is a stakeholder.

Outcomes

In its approximately three years in operation, the Center for Economic Inclusion has grown to a staff of 20 and revenue of $3.5 million. Increased private sector investment has been crucial to CEI's expansion. In 2019, the JPMorgan Chase Foundation and U.S. Bank Foundation provided grants of $400,000 and $500,000, respectively. In 2021, the U.S. Bank Foundation provided a $1 million grant—CEI's largest to date.

The CEI team works to effect change across five "pillars," which are the areas in which it can encourage more inclusive practices: people, procurement, policy, philanthropy, and products. CEI developed a set of products and services, detailed below, that aim to increase equity at every level of the economy, from individual organizations to groups of employers to the entire regional economy.

Individual organizations

The Center for Economic Inclusion's work with individual corporations is structured around the Racial Equity Dividends Assessment (REDA). This is an in-depth evaluation of an organization's performance on 150 indicators that measure the impact of employer actions at three levels: organization, household, and regional economy. The REDA uses surveys, interviews, and focus groups to help employers understand their employees' experiences, their perception of business policies and practices, and the economic pressures they may be experiencing (e.g., how many employees hold multiple jobs, how many have savings to pay for a $1,000 expense, how long it takes to get to work—with each response analyzed in terms of race and salary level). The REDA helps create a business case for action by linking employees' experiences with costs to the business, such as turnover and low productivity. It also clarifies what consulting services CEI may be able to offer to an employer to address these issues.

CEI also consults with public sector agencies. CEI's work on Ramsey County's Economic Competitiveness and Inclusion Plan illustrates the type of influence CEI hopes to have through these engagements. Ramsey County is the only county in the metro area that does not collect a tax levy through a housing or economic development authority. The Economic Competitiveness and Inclusion Plan was designed to inform how Ramsey County should invest funds raised through a levy, which it intends to pursue in 2022. The levy would raise $11.5 million annually. Several key elements of the plan reflect CEI's influence. The analysis of the county's economic opportunities is heavily focused on the case for closing racial disparities, noting, for instance, that closing the county's wage gap would generate $2.3 billion in annual income gains, and that matching U.S. business ownership rates among the county's BIPOC population would generate 500 businesses and create nearly 7,000 jobs. The county also embraces its responsibility as an employer in the plan, noting that it will "model the principles of equity that all entities and employers must adopt for racial equity to be realized."

"We're conditioned to look for solutions within the confines of what we have control over— the Center for Economic Inclusion encouraged us to think, 'If we step out of our bureaucratic box, what could we do?"

— Kari Collins, Director of Community and Economic Development, Ramsey County

In describing the value that CEI added to the creation of this plan, Kari Collins, director of community and economic development for Ramsey County, cited CEI's ability to bring both lived experience and rigorous data to strategy discussions, as well as its emphasis on thinking about systems. "We're conditioned to look for solutions within the confines of what we have control over," said Collins. "CEI encouraged us to think, *If we step out of our bureaucratic box, what could we do?*"

Groups of employers

In 2021, CEI formed the Racial Equity and Economic Justice Trust to broaden the scope of its engagements with employers beyond one-on-one consulting. The Trust began as an initial group of 12 large employers (six private sector and six public sector) that have committed to individually and collectively tracking their progress toward specific racial equity outcomes. The group of employers in the Trust is expected to grow over time. Partners such as the St. Paul Area Chamber, Minnesota Technology Association, and the Itasca Project are helping to identify additional employers.

The Trust is using a Results-Based Accountability approach, which requires employers to adopt a set of indicators that can be measured both statewide and within organizations, disaggregated by race and tracked over time. Members of the Trust are encouraged to set goals in several areas: leadership and employee diversity, wage levels and disparities, and procurement spending. The Trust presents a challenging pair of priorities to balance. On one hand, if employers are to be held accountable, their goals and annual progress need to be made public. On the other hand, too much of an emphasis on public accountability might lead employers to shy away from setting ambitious goals that demand deep organizational change. To reconcile these tensions, CEI has designed the Trust so that members will share organization-level data with one another to spur shared learning and accountability with peer organizations, but any data that is shared publicly will be aggregated across Trust member companies to focus attention on collective impact.

In 2021, CEI also created the Racial Equity Dividends Index, which is focused on measuring actions that employers are taking toward racial equity (as opposed to the racial equity outcomes that are measured by the Trust). The Index is a survey that scores employers based on whether they have taken 37 specific actions, such as creating a minority business enterprise procurement strategy, compensating leaders based on equity or diversity goals, measuring employee engagement by race, and examining and removing bias from hiring processes. For employers that may not be ready for a more in-depth engagement like REDA or the Trust, the Index offers an opportunity to learn what actions are most impactful and understand how much progress they have made in these areas in comparison to other employers in the state. It also gives CEI an opportunity to hold up employers that are ahead of the curve as examples. Like the Corporate Equality Index, which measures employer actions around LGBTQ equality, the Racial Equity Dividends Index will only publish the names of those employers that score highly.

Economy-wide

One of CEI's broader goals is to shift the narrative in the region's economic development system to instill the idea that creating a more equitable economy is not only an urgent challenge, but also the best way to make the economy work better for everyone.

One of CEI's first actions as an organization in 2019 was creating the Indicators of an Inclusive Regional Economy. These were designed to complement the Regional Indicators Dashboard that Greater MSP has been creating annually since 2014. The Regional Indicators Dashboard focuses primarily on the region's economic competitiveness, as captured in statistics such as job growth, venture capital, and educational attainment (it also includes measures related to infrastructure, environment, and livability). CEI's Indicators mirror many of these categories but provide more detailed breakdowns by race—for example, wages and employment by race, graduation rates by race, and business ownership by race. The Indicators are designed to shift the region's narrative about what economic development success looks like, highlight specific challenges that are most urgent, and point to potential solutions. CEI's website outlines leading organizations and promising practices for each subset of indicators, linking urgency to action.

"We get calls from businesses who want to solve all these '-isms' in six months… but it doesn't happen fast. If we want to be the best region in the country, we have to have an urgency about solving it and a patience about culture; an urgency about action and a patience about relationship-building; an urgency about accountability and a patience about undoing cultures that we've built over so much time."

— Tawanna Black, Founder and CEO, Center for Economic Inclusion

In its first few years in existence, CEI has moved quickly to establish these projects and partnerships. But Tawanna Black and her staff know that their work won't yield quick results. In December 2021, Tawanna Black was announced as the 2021 Person of the Year by Twin Cities Business magazine. At the event celebrating that honor, Black said, "We get calls from businesses who want to solve all these '-isms' in six months…but it doesn't happen fast. If we want to be the best region in the country, we have to have an urgency about solving it and a patience about culture; an urgency about action and a patience about relationship-building; an urgency about accountability and a patience about undoing cultures that we've built over so much time."

The transformation of a regional economic development organization from ‘dealmaker’ to inclusive growth strategist

System pillars: Economic development, talent development

Rewiring process: Understanding systems, institutional evolution, measuring systems

Key institution: Greater MSP

The Greater MSP Partnership is a public-private economic development organization (EDO) that serves the 15-county Minneapolis-St. Paul metro area. Formed 10 years ago, it has evolved from an organization focused primarily on winning business attraction “deals” to one that acts as a platform for collective action on topics ranging from startups to talent attraction to talent development—all with a focus on equity and inclusion. This is a faster and more thorough version of an evolution that many regional EDOs are going through in other parts of the country, and serves as an example of what these organizations could do with the right leadership, adequate funding, and external pressure to change.

Catalyst

Greater MSP was formed in 2011 in response to a report by the Itasca Project, a CEO leadership group staffed by McKinsey & Company, that recommended Minneapolis-St. Paul create a new entity to establish a regional vision and offer services to attract, retain, and expand businesses. The report concluded that the Twin Cities were unique among high-performing regional economies for not having a shared strategy and coordinated service provision.

For its first several years, Greater MSP hewed closely to its core mission: increasing jobs and capital investment via marketing, branding, and partnering with local economic development agencies on business retention and expansion.

Just as Greater MSP was solidifying its role in the regional ecosystem, however, the economic development field nationally began to undergo a transformation. There were several drivers. One was that as the U.S. emerged from the Great Recession, the “jobs, jobs, jobs” mantra of EDOs began to lose its luster. Overall job growth was booming, but many other economic challenges remained, including stubborn racial inequities, skills misalignment, suburbanization of poverty, and declining startup activity. Another driver of this transformation was a growing body of research that cast doubt on the efficacy of traditional approaches to business attraction, plus increased concern about ballooning incentives for corporate relocations.[7]

One consequence for organizations like Greater MSP is that they could no longer focus primarily on marketing and attraction or articulate their value in terms of job creation and capital investment. A natural evolution would have been to focus more on business retention and expansion (BRE), but many local economic development agencies, having recognized the importance of this work, were bolstering their own BRE operations and in many cases resisted the involvement of regional entities. Another consequence is that organizations like Greater MSP were increasingly expected to have a voice on issues pertaining to racial and geographic inequities and potential solutions to those issues (workforce development, small business support, neighborhood development, affordable housing, etc.).

In response, some forward-looking regional EDOs began to reshape themselves as conveners and strategists in a wider variety of areas related to economic competitiveness and inclusive growth. These regional EDOs began referring to themselves as conveners or "collaborator-generals." Their challenge was that they had built their reputation on metrics such as jobs created or capital invested. Even if their investors understood the value of convening and supported this transition, they still demanded measurable outcomes. That meant that these organizations needed to either find a way to measure the value of convening itself (a tall order), or they needed to implement initiatives on the topics around which they were convening regional partners.

This raised two issues. First, many EDOs lacked the capacity and experience to design, launch, and sustain initiatives—there is a large gulf between convening and implementing. Second, many of these topics, such as entrepreneurship or workforce development, already had well-established organizations that did not necessarily welcome new entrants into their systems. In short, many EDOs were stuck between an old way of doing business that was losing its legitimacy and a new model that was programmatically uncertain and civically complex.

Greater MSP stands out among EDOs nationally for having strategically responded to this disruption. It re-envisioned its role in the ecosystem without abandoning its original mandate, and built the muscle required to create strategic initiatives with complex coalitions of public-private partners. This process began for Greater MSP in 2014, three years after its founding, during the creation of its first economic development strategy. A CEO-led steering committee, staffed by McKinsey consultants who also worked with the Itasca Project, developed a strategic framework with three priority areas: build on sectors of strength, prioritize talent, and tell our story. This strategy was, like most regional economic development strategies at the time, designed primarily to market the region to business decisionmakers and ultimately win more "deals"—especially business attraction projects. Two early initiatives emerged from this strategy and were launched in 2015 and 2016.

- **Regional Indicators Dashboard**: This dashboard emerged from the "tell our story" pillar of the strategy and was intended to ensure that the region was telling an accurate, data-driven story about itself. Now in its sixth year, the dashboard compares the region to peer metro areas on 50 indicators, including measures related to the economy and business vitality, talent, education, environment, and livability.

- **Make It. MSP.**: This talent retention and attraction initiative was designed to complement the region's talent development initiatives. A response to the state's low labor force growth rates and growing need for "creative and degreed talent," the initiative initially focused on creating tools for corporate recruiters, including a digital platform to help sell the region to prospective talent, a recruiter toolkit, and efforts to connect new talent to the community.[8]

These two initiatives were straightforward to implement, having been chosen in part because regional economic research and talent attraction were not in any other organization's "lane" and other organizations were motivated to partner with Greater MSP on these efforts.

But Greater MSP, like its peer organizations nationwide, would soon be pushed to tackle a broader range of issues outside of the traditional purview of regional economic development organizations. Peter Frosch, then the senior vice president of strategy and partnerships, previewed this change in a 2016 article about the creation of Make It. MSP.: "Economic development organizations will be increasingly tasked with developing meaningful solutions to systematic challenges…However, some of these challenges including talent retention and attraction and equitable growth exist at the frontier of the discipline's experience and solution set."

In response to this shift, Greater MSP formally changed its vision and mission in 2018. Its new vision: "The Greater MSP Region leads the world in inclusive economic growth by welcoming all, empowering talent, and igniting innovation." Alongside this came a change in Greater MSP's thinking about its role in the regional ecosystem. Rather than an organization focused on executing the work required to win deals, Greater MSP "made an affirmative decision to be more of a partnership or a platform," according to Matt Lewis, vice president of strategic initiatives. This meant that Greater MSP would work to foster long-term partnerships around the issues highlighted in the dashboard (including racial equity, mobility, and affordability). According to Lewis, the strategic initiatives that Greater MSP tackled a few years prior were key to illuminating this opportunity: "Until we started doing the dashboard work and Make It. MSP., there weren't forums to begin acting like a partnership beyond the short-term nature of collaborating on a 'deal.'" To formalize this new direction, Greater MSP developed a more comprehensive regional strategy, created a new Strategic Initiatives team, and expanded its research function (all discussed in the next section). Peter Frosch was hired as CEO to lead this new iteration of Greater MSP.

Execution and key stakeholders

As a public-private partnership representing 15 counties, Greater MSP's stakeholders include cities and counties, corporations, foundations, and universities. Greater MSP positions itself as a small organization (20 staff) acting in service of a much broader partnership (200 organizations that invest or participate in regional efforts), and working toward a regional vision through job creation, capital investment, and the execution of strategic initiatives.

In the last several years, Greater MSP has developed a model for methodically and inclusively designing cross-sector strategic initiatives with its stakeholders.

In 2019, Matt Lewis was brought on to manage Greater MSP's existing portfolio of initiatives and create several new ones. The Strategic Initiatives team now has eight full-time staff. It is noteworthy that this team is larger than Greater MSP's business investment team. While many of Greater MSP's peer organizations are beginning to add capacity for strategic initiatives, they are a long way from treating it as equally or more important than their business attraction and retention function. It is also noteworthy that Greater MSP has three researchers on a staff of 22; most similarly sized organizations might only have one or two researchers.

The Strategic Initiatives team will ultimately create initiatives for many of the nine objectives in Greater MSP's strategy. Each of these initiatives will have the following components: a 10-year ambition, up to three three-year goals, a few clear strategic priorities, and annual objectives. For example, the Forge North initiative, focused on supporting innovative startups, is built around the following ambitions and goals (the strategic priorities and objectives are discussed later):

- **Ten-year ambition**: By 2030, the Minneapolis-St. Paul region will be the best place for people from every background to start and scale ventures that create wealth by solving global challenges.
- **Priorities and three-year goals**:
  - **Capital:** Double the number of MSP-based ventures that report raising an early-stage round of capital.
  - **Enterprise:** Ensure that 100% of billion-dollar businesses are making significant investments in MSP-based ventures.
  - **Equity:** Ensure leaders with an equity stake in MSP-based ventures reflect the region's demographic profile.

To create each of these initiatives, Greater MSP builds a "council" that is reflective of the membership of the regional partnership. The council is responsible for making key decisions about the goals, design, and implementation of each initiative. For the Forge North initiative, the council is comprised of 13 stakeholders: three corporate executives, four entrepreneurs, three venture capital investors, and three leaders of entrepreneurship support organizations. It may grow to include several academic and government leaders. Each initiative also has a "coalition" comprised of organizations that make specific commitments to the initiative and formally join teams to implement those commitments. For each initiative, there will eventually be three full-time staff: a managing director who staffs the council, a network manager who staffs the coalition, and a coordinator.

Greater MSP developed this model prior to the murder of George Floyd, and has since had to rethink what regional leadership looks like. As Matt Lewis put it, "The systems we have produced the inequitable outcomes we have, so while our role is still to lead, we need to think differently about what leadership is—can we support other organizations that can lead differently?" One example is Greater MSP's role in helping to create the Alliance of Alliances, a Black-led effort to coordinate and instigate racial equity initiatives, housed at the African American Leadership Forum.

Outcomes

Today, Greater MSP manages five strategic initiatives, two of which are explicitly equity-oriented:

- **Make It. MSP.**: Talent migration
- **Forge North**: Startup growth and innovation
- **Regional Air Services Partnership**: Enhanced air service
- **MBOLD**: Food and agriculture cluster development
- **ConnextMSP**: Talent pipeline, focused on young professionals of color

Forge North is designed to create a stronger, more cohesive startup ecosystem. It is a response to the fact that the region ranks last across 12 peer metro areas for new business creation. In 2020, Forge North's leadership council surveyed and interviewed 500 community members to set the three goals described in the previous section (capital, enterprise, equity). In 2021, the coalition stood up three projects. One was an effort to encourage more high-net-worth individuals in Minnesota to become angel investors. The second was a playbook for how corporations can better engage with local start-ups, including a pledge and scoreboard. The third is a joint fundraising effort of 12 nonprofit startup accelerators and incubators that collectively serve 1,200 entrepreneurs per year, including a shared survey of entrepreneurs designed to inform collaborative programs.

ConnextMSP is a network of 40 organizational partners that are developing strategies to address barriers faced by young adults of color between the beginning of postsecondary education and their first professional role. Born out of a task force convened by the Itasca Project and initially incubated in the Minneapolis Foundation, the initiative migrated to Greater MSP in 2020, in part because early experience suggested that engaging more employers in the network was a key to success. As with Forge North, Greater MSP facilitated a process whereby the organizations in the network identified a dozen potential strategies and ultimately narrowed down to three priority projects for 2022. These are: helping a network of employers work together to improve career pathways by expanding apprenticeships and changing criteria for entry-level roles; a campaign to get more employers to create or expand paid internship programs; and creating new types of professional networking events for young professionals of color.

Reflecting on the work ahead, Matt Lewis noted that Greater MSP's convening function is clearly important, but unpredictable and hard to fund. The first three years of Forge North were supported by the Bush Foundation, at a time during which Greater MSP's role evolved. "At first we were just a fiscal agent that provided a sandbox for a bunch of startup community people to play together in, and we had to walk this project through the abyss for two years before we had a framework that made sense to our board," said Lewis. "This is an important role for entities like Greater MSP, and sometimes it turns into an initiative that we're powering, but often it goes off somewhere else in the region."

In other words, Greater MSP's evolution did not always look productive; it took several years for the earliest results—in the form of concrete new initiatives—to emerge, and it will take several more before those initiatives can deliver measurable improvements in economic outcomes for Twin Cities residents and businesses. This speaks to the importance of committed leadership, as well as the broader narrative shift in the economic development system being driven by organizations like the Center for Economic Inclusion, which adds legitimacy to inclusive growth efforts that are unlikely to be as straightforward and easy to understand as the deal-making that regional economic development organizations have traditionally been focused on.

Building community wealth through worker ownership of businesses

System pillars: Asset development
Rewiring process: Institutional evolution
Key institution: Nexus Community Partners

The Worker Ownership Initiative is a new initiative of Nexus Community Partners, one of the region's most well-established and high-capacity community development organizations. It addresses a key gap that exists in many regions' wealth creation efforts, which tend to focus on business ownership by way of entrepreneurship. Creating a new business is an arduous and risky process, and even with lots of external support, most new businesses fail relatively quickly. For many people, a surer path to wealth creation is becoming an owner of the business they already work for. The Worker Ownership Initiative helps businesses—especially those with older owners who are contemplating exit plans—convert to worker-owned co-ops. While its work is still gaining steam after being interrupted by COVID-19, Nexus has assembled a large group of supporters and partners and has an ambitious vision to not only help people gain wealth but to "embed democracy in people's economic destiny."

Catalyst

Nexus Community Partners is a community-building intermediary that builds "authorship, leadership, and ownership" in communities of color across Minneapolis-St. Paul. Nexus began in 2004 as Payne-Lake Community Partners. At the time, it focused on supporting immigrant populations in two neighborhood business corridors (Payne Avenue in St. Paul and Lake Street in Minneapolis). By 2010, it had expanded its work to North Minneapolis and changed its name to Nexus. This reflects not only its broader geographic footprint but also its broader mission—its intensive community engagement and capacity-building efforts go beyond the real estate and economic development services that traditional community development corporations provide.[9]

In service of its three focus areas, Nexus engages in three basic activities: strengthening community organizations, aligning and amplifying resources (including re-granting from mainstream philanthropies to community organizations), and developing innovative initiatives.

Nexus' efforts to build "ownership" are based on a "community wealth-building" framework. This terminology emerged in Nexus' work around 2015, when it published a report that reflected on the early successes of the East Side Economic Growth Initiative (ESEGI) but also the daunting challenges that remained. (In 2013, Nexus was one of the founding members of ESEGI, as described in the story on the East Side Employment xChange.) As that report described, "Despite incremental progress…investments have yet to shift the economic realities of East Side households." At the time, poverty rates on the East Side were over 30% and the unemployment rate for Black men was over 25% (and between 60% and 100% in certain census tracts, versus 7% unemployment in the city overall).[10] This report reflected a parallel shift in the national conversation, as rapid overall growth and broad declines in unemployment after the Great Recession highlighted persistent racial disparities in employment, income, and wealth.

In the report, Nexus concluded, "To truly shift the economic landscape, we must move away from single-lane workforce development and job creation strategies and towards multi-lane approaches that address the entire ecosystem." Nexus argued that this shift required a community wealth-building approach, which it describes as "a place-based, systems approach to community and economic development that ensures local and equitable ownership and control of wealth; develops mutually reinforcing economic enterprises; invests in assets that are anchored locally; and engages the procurement power of institutional partners." In practice, adopting this framework meant that rather than funding isolated programs around homeownership, entrepreneurship, job training, or financial literacy—as Nexus previously did, and as many community development organizations still do—Nexus became focused on broader and deeper means of building assets and creating wealth in communities.[11]

Nexus is involved in several community wealth-building efforts. It supports commercial real estate investment co-ops and housing co-ops, and has begun working more with democratic, self-directed nonprofits (that emulate worker co-ops). It also runs the North Star Black Cooperative Fellowship, a six-month program in which participants study the national and local history of Black cooperative economics and receive technical assistance as they develop plans for Black-led cooperatives (the 2021 cohort is focused on housing and land trusts). But for Nexus, the primary vehicle for building community wealth is facilitating the conversion of existing businesses to worker-owned cooperatives.

Nexus' efforts on business conversions, now called the Worker Ownership Initiative (WOI), began to take shape in 2016, when Nexus took a group of St. Paul leaders to the San Francisco Bay Area to learn about the work of Project Equity, an Oakland-based provider of nonprofit consulting services for businesses that want to transition to employee ownership, as well as employee-owners of cooperatives. In 2017, Nexus partnered with Project Equity on a report that demonstrated the scale of the opportunity and made the case for action in Minnesota.

This report, one of a series produced by Project Equity for communities across the country, focused on the "silver tsunami"—the dramatic shift that will occur as the large number of privately held small businesses that are owned by people over 55 begin to make decisions about exit strategies. (In many cases, the COVID-19 pandemic altered the timeline of these decisions.) According to The Exit Planning Institute, over half of retirement-age business owners lack succession plans, and many struggle to find buyers on their own, meaning that these businesses are vulnerable to closure, consolidation, or acquisition by out-of-area buyers. In Minnesota, there are almost 55,000 firms owned by people over 55 (almost half of all small businesses in Minnesota), which employ 600,000 people and generate $124 billion in revenue. (In Ramsey County, there are nearly 5,000 such firms representing 12,000 employees and $12 billion in revenue.)[12]

Nexus and Project Equity frame business conversions to employee ownership as not only a viable pathway to a successful sale for the owner, but as a way to increase employee engagement and productivity as well. When Nexus' 2017 report was released, Repa Mekha, president and CEO of Nexus, explained the benefits from the perspective of cities and regions: "Business conversions are a perfect intersection between large-scale job creation and broad-based wealth creation…The model opens on-ramps for folks that very likely have no other entryway to entrepreneurship."

Execution and key stakeholders

Overall, Nexus' key stakeholders are members of the communities that the organization works in, and which it works to engage and empower. As with all its initiatives, the Worker Ownership Initiative is designed to serve these communities. On a day-to-day level, however, the WOI largely revolves around in-depth consulting engagements with businesses before, during, and after the process of converting to employee ownership. Nexus has two key stakeholders in this work: fellow service providers that partner with Nexus in its consulting engagements, and local economic development entities that help Nexus identify and connect with business owners.

For consulting support, Nexus partners with multiple organizations that operate at the national and local level. Project Equity is a key national partner that assists with financial feasibility, deal structuring, governance model design, and employee engagement. Neighborhood Development Center (NDC), a local community development financial institution (CDFI), has teamed up with Nexus to provide business planning support. Nexus is also networked with CPAs and lawyers in the region that are familiar with the cooperative model and are critical to finalizing the legal conversion of businesses.

Nexus works with a growing number of local and regional economic development organizations to reach businesses that may be good candidates for employee ownership. For example, Nexus has partnered with the St. Paul Area Chamber to offer seminars to member companies about succession planning and employee ownership options. Several cities in the region subsidize Nexus' consulting services for local firms. In 2016, the city of Minneapolis created C-TAP, the Cooperative Technical Assistance Program, which provides up to 50 hours of one-on-one consulting for existing or in-development co-ops. (This complements its broader B-TAP, or Business Technical Assistance Program, as well as D-TAP, for small real estate developers.) Nexus is one of eight technical assistance providers in C-TAP. Nexus is also a technical assistance provider for a program created by Hennepin County and the Minneapolis Regional Chamber called Elevate Business HC, which provides no-cost consulting to any business in the county.

Outcomes

In 2020, only the second year of the Worker Ownership Initiative and one that was disrupted by the pandemic, the five-person team within Nexus had discussions with 22 employers. About one in four of these businesses engage with Nexus to determine feasibility or explore employee ownership options. It is not yet clear how many of those businesses will complete a conversion to employee ownership, because the process takes 12 to 18 months or more.

In its first two years, the Worker Ownership Initiative has spent much of its time building the case and educating business owners, which it often reaches through relationships with accountants and lawyers. Benjamin Tsai, director of the Worker Ownership Initiative, said that his team confronts two key myths. One is that “my employees can’t run this business,” to which Tsai replies, “In many cases, your employees already do run the business—and in any case, we can make sure that your employees have all the right skills and area ready to govern the business.” (Tsai is careful to point out that governance is different from management: Employee-owned firms are governed but not necessarily managed by employees. These firms are often still managed similarly post-conversion. The main difference is that employee-owners are responsible for electing a board of directors that provides broad strategic and policy guidance to ensure that management is supporting their interests.) The second myth that Nexus confronts in talking to businesses is “my employees can’t afford to buy this business.” This is often not the case, as Nexus is able to work with CDFIs—primarily a locally headquartered CDFI called Shared Capital—that can leverage the buyout of the firm. Further, the seller of the business typically offers a loan of 30% to 40% of the purchase price to the purchaser.

During these two years, the WOI has also refined its priorities in terms of which types of businesses are most likely to succeed and create equitable outcomes. In terms of likelihood of success, Tsai noted that the co-op model generally works for companies that already have strong team structures and can largely stand on their own; while there are examples of businesses that were strengthened by converting to employee ownership, this process should not be seen as a cure-all for a flagging business. In terms of impact on equitable growth, Nexus created the Business Legacy Program within the WOI. This offers additional support to businesses that have at least five employees, a majority of whom are BIPOC, and that have been in business for at least a year. This support includes grants of up to $10,000 to cover financial analysis, legal engagements, accounting, or bridge funding; pro bono consulting on succession planning; and technical assistance to maintain business operations while a conversion is being explored.

The Worker Ownership Initiative is poised to scale its work in the coming years thanks to local partnerships that extend its reach (such as those with the St. Paul Area Chamber and city of Minneapolis described above) as well as a $1.2 million grant from the Kendeda Fund in Atlanta. It also receives funding from Thrivent, a nonprofit financial services firm, as well as consulting fees.

Tsai said that the program's aim is to achieve year-over-year growth in the number of conversions. But the initiative's vision is broader than just converting a larger number of individual businesses. The WOI aims to build an ecosystem of co-ops that support one another, including potentially co-ops that provide backbone services (human resources, tech support, payroll) to other co-ops. Tsai pointed to other regions that have developed federations of co-ops as examples of what could be achieved in Minneapolis-St. Paul. He also pointed to the Colorado Employee Ownership Commission as an example of the type of clarity coming from state governments that would accelerate local efforts. The Commission supports the efforts of the Colorado's Employee Ownership Office, one of 12 divisions in the state's Office of Economic Development and International Trade. This office offers services such as free consulting, loans to offset transition costs for Colorado businesses converting to employee ownership, grants to offset technical services costs, and a peer network.

"Our work is not just about trying to get somebody a job or an income, it's about asset building. Owning a piece of a business gets you a profit share and governance rights—it's a way to embed democracy in people's economic destiny."

— Benjamin Tsai, Director of the Worker Ownership Initiative, Nexus Community Partners

As the WOI scales, it is also likely to broaden its efforts. Prior to the pandemic, its work focused almost purely on existing businesses with retirement-age owners. But after the upheaval of the past several years, Nexus is seeing strong demand for a broader version of community ownership. For instance, there is growing demand for commercial real estate investment co-operatives. Many of these want to acquire property in neighborhoods damaged after the uprisings following George Floyd's murder, which are vulnerable to speculative real estate investment.

Regardless of which directions the Worker Ownership Initiative goes in, the underlying vision of Nexus' community wealth-building portfolio are clear. Benjamin Tsai framed it as follows: "It's not just about trying to get somebody a job or an income, it's about asset building. Owning a piece of a business gets you a profit share and governance rights—it's a way to embed democracy in people's economic destiny."

A new city office that transcends jurisdictional boundaries to build financial health and stability for residents

System pillars: Asset development
Rewiring process: Institutional creation
Key institution: St. Paul's Office of Financial Empowerment

A new office created after the election of St. Paul Mayor Melvin Carter in 2018, the Office of Financial Empowerment (OFE) has a diverse and growing portfolio of projects aimed at building the financial health and stability of St. Paul residents. Its first two initiatives—a college savings account for all children born in St. Paul and a guaranteed income pilot program—are underway. It has also led advocacy efforts and cross-governmental policy reforms related to reducing inequitable fines and fees, among many other projects. As notable as the content of OFE's portfolio is the way it identifies which problems to tackle and defines which outcomes for which populations it aims to achieve in any year. OFE is an example of how a small agency can have outsized impacts by setting ambitious but realistic goals, genuinely connecting with communities to understand problems, and deliberately seeking to shape the work of organizations outside its direct sphere of influence.

Catalyst

In his swearing-in ceremony, Mayor Melvin Carter, St. Paul's first Black mayor, said that the city is a place "of deep inequity." He committed to focus on economic justice as one of three pillars of his administration, vowing to "examine every law, every system, every policy and process to eliminate structural inequity and give every child born in St. Paul the opportunity to achieve her full potential."[13]

One way Mayor Carter acted on this commitment was by creating an Office of Financial Empowerment (OFE) to lead much of this agenda. OFE received approximately $450,000 in city funding in its first year. The inspiration for the OFE's creation stems not just from the mayor's economic justice agenda, but also his data-driven approach to policymaking. According to Deputy Mayor Jaime Tincher, "The mayor is committed to not just doing things because it's what we've always done—he's always interested in looking at the data behind what is taken for granted, and asking what the rationale for our approach is, whether we have studied it, and whether we know if it's effective."

To make the case for creating the OFE, the mayor's team had to demonstrate that the traditional economic development toolkit (policies and programs focused on job creation and workforce development) is only part of the strategy to create economic opportunity for low-income people. The mayor's team noted, for example, that many low-income people don't benefit from existing policies: In 2017, roughly 20% of St. Paul residents eligible to receive the Earned Income Tax Credit never apply for it, meaning that 5,000 families lost out on a total of $11 million to $14 million. On the other hand, many low-income people are disproportionately harmed by existing policies, including library fines and fees, fines for not shoveling sidewalks, and other "quality of life" codes. In addition, many low-income residents are unbanked or are reliant on predatory lending institutions, hindering their ability to build savings and wealth.

In short, the rationale for the OFE from an economic development perspective is that an inclusive growth strategy is incomplete if the populations prioritized in such a strategy continue to be negatively impacted by policy choices made outside of the economic development sphere, or if they lack the means to turn their growing incomes into financial stability and wealth. Muneer Karcher-Ramos, the OFE's director, emphasizes that the office's work is not motivated by the goal of poverty reduction. That framing of the issue that often leads to too much focus on individual choices and not enough on historical drivers and the importance of undoing systems that led to poverty in the first place. "Our work is really about financial health and community wealth, not fighting poverty," Karcher-Ramos said. "We're looking beyond income at assets and liquid assets, net worth, and banking relationships—using a different set of questions to get at how residents are doing."[14]

Execution and key stakeholders

The OFE's stakeholders include the populations that it serves, other city departments and governmental agencies, financial institutions, nonprofits that do similar work, and corporate and philanthropic funders.

The OFE's most important stakeholder is clearly demonstrated in the first of the office's seven guiding principles: "Those closest to the issues are closest to the solutions." According to Muneer Karcher-Ramos, "New practices come from the friction that happens when people with institutional power interact with folks who have been left out. We're not risk-avoidant—we lean into that tension." To invite the wisdom and insight of communities that have been left out, Karcher-Ramos says that the OFE has to be willing to "let go of the expert stance" and be open to the experiences of communities.

One example is the OFE's community engagement work related to inequitable fines and fees. The office wanted to work within the jurisdictional boundaries of the city, but community members said that its top priority should be driver's license suspensions and revocations. The city government has no direct influence on this issue, but the OFE put it on its state policy agenda, asked the Minnesota Asset Building Coalition how the city could be useful as part of its coalition, and ultimately got the mayor, the government relations team, and the city attorney's office involved in advocacy efforts. This year, a policy passed that ends driver's license suspensions for unpaid fines for nonmoving violations, which affects 25,000 St. Paul residents annually and disproportionately impacts communities of color.

The OFE combines a commitment to learning directly from those closest to the issues (a qualitative approach) with a quantitative approach to setting goals. The team sets goals through a "targeted universalism" approach, meaning that every team member regularly defines the overall population that they are serving, sets a universal goal for that population, identifies which specific sub-populations are furthest from having achieved that goal, and then sets a target for their work in the short to medium term.[15] Rather than adopting a strategic plan and assessing progress after a year or two, each team member publicly sets annual targets and the team reviews progress toward those targets at quarterly meetings.

Karcher-Ramos said that he constantly asks his team and external partners, "What's your number?"—meaning, "What part of our shared goal does your organization own?" He noted, "If you can't name the population you're working in service of, then you're likely operating at a much smaller scale than you should be." One reason the OFE focuses so intently on data in this way—which tends to lead to ambitious targets—is that it pushes them to think about how it can influence other entities. Karcher-Ramos said he believes that "for our work to successful, we have to transcend institutional boundaries—so many people end up playing small ball because they think about 'What can my institution do?' as opposed to 'What's my sphere of influence?'"

A second set of OFE stakeholders is other city departments, which it works with to implement new policies and practices. The OFE has a broad mandate to examine and respond to inequitable fines and fees across the city, and it interprets "fines and fees" broadly—significantly expanding its potential partners and stakeholders. For example, low-income households often end up paying high water bills because they cannot afford the upfront cost of a plumber to fix leaks, so the OFE is creating a program which will monitor houses to identify sudden increases in water usage and dispatch a team of plumbers to respond.

The OFE also partners closely with nonprofit organizations that do financial empowerment work. One is Prepare and Prosper, a St. Paul-based nonprofit that offers services such as tax filing, banking services, and financial mentorship.

Lastly, the OFE has strong relationships with philanthropic and corporate funders. In 2020, the office secured approximately $5.25 million in state, federal, and foundation grants, compared to its city budget of $555,000. Among the funding intermediaries supporting the OFE is the Cities for Financial Empowerment Fund, a nonprofit that is funded by several large foundations (Bloomberg Philanthropies, the Kellogg Foundation, the Annie E. Casey Foundation) and large financial institutions. The state's Department of Human Services has also provided a multiyear $2 million grant.

Outcomes

The OFE's mission was broad to begin with, especially given its relatively small size. That mission broadened considerably during COVID-19 recovery efforts. At its inception, the OFE was expected to develop a strategy to coordinate and expand cross-sector financial education and wealth-building efforts, work with other city departments to mitigate the impacts of fines and fees, provide tax filing assistance, collect data to inform policy priorities, support fair housing policies and practices, and more. During the pandemic, the team's "operational mentality" allowed it to tackle new challenges.

The OFE joined with other city departments on efforts to deliver over 2 million meals at city buildings, in partnership with an after-school nutrition program. It worked with the Department of Planning and Economic Development to ensure that the city's relief funding was distributed equitably, including among populations with limited access to banking relationships.

In addition to this portfolio, the OFE has designed and launched two signature initiatives. One is CollegeBound Saint Paul, a children's savings account program paired with wraparound services such as financial education and check-ups and screenings for young children. Designed by a 31-member task force that held community engagement sessions with another 145 people, CollegeBound creates a $50 savings account for every child born in St. Paul as of January 1, 2020. (Approximately 5,000 babies are born in St. Paul each year.) Families can receive approximately $250 in bonus deposits for actions such as logging into the online portal or taking part in financial education courses. There is also an additional $50 provided for families in historically disinvested communities.

CollegeBound Saint Paul was inspired by three data points. First, more than one in five St. Paul households has zero or negative net worth. Second, fewer than one in five adults of color in St. Paul has a college degree. Third, a study by University of Michigan researchers found that low-income families that saved even just $500 or less are still three times more likely to attend college and four times more likely to graduate than those whose families have not saved at all.[16] This suggests that even small savings accounts create a college-going identity for children and families. In an interview, Mayor Carter said that after seeing this data, "It felt like too much to know to not do something about it." He noted that any other initiatives that might have a similar effect on college attendance rates for low-income people could cost 10 to 100 times as much per child.[17]

Two key design decisions for CollegeBound were what type of account to hold the savings in and what uses should be allowable. The task force decided to use savings accounts rather than a 529 plan because savings accounts allow for in-person and cash deposits—the downside being that these accounts earn very low interest. Bremer Bank is providing the accounts at no cost to the city or account holders. In terms of allowable uses, the task force decided to only allow postsecondary educational uses, after considering other options such as entrepreneurship or home purchases. The OFE staffs the program, but seed deposits are funded by community foundations, corporate donors, and individual donors.

The OFE's second signature initiative is the People's Prosperity Pilot, a guaranteed income pilot program launched in late 2020. Mayor Carter is a founding member of the Mayors for a Guaranteed Income coalition, which was created by Mayor Michael Tubbs of Stockton, Calif. after the launch of that city's well-known guaranteed income pilot, which provided $500 per month to 125 residents for 24 months. That small pilot provided St. Paul with enough credible evidence to start its own program.

The People's Prosperity Pilot will, like the Stockton program, provide $500 per month to 150 families with young children for 18 months (a total expenditure of $1.35 million). St. Paul, along with other members of the Mayors for a Guaranteed Income coalition, are partnering with the Center for Guaranteed Income Research at the University of Pennsylvania, which will conduct an independent evaluation of guaranteed income programs across thousands of residents in 25 cities.

The 150 families were drawn from the group of families enrolled in the CollegeBound program that live in four ZIP codes that were disproportionately impacted by COVID-19, as indicated by unemployment insurance claims and concentration of cost-burdened households. The first $215,000 for the Pilot came from the city of St. Paul's $23.5 million CARES Act allocation, and the remainder of the funding is coming entirely from external grants—not general fund or property tax revenue.

The Office of Financial Empowerment is a notable model in at least two respects. First, it represents a range of activities that can take place in the asset development system pillar. In many cities, this pillar exists on the periphery of the economic development system, if the function even exists. This is a missed opportunity—the income gains created through economic and workforce development interventions in low-income communities are hard-won, and every effort should be made to ensure that those income gains can translate to savings and wealth. Second, it demonstrates the importance of setting big goals that transcend institutional boundaries while being clear about what portion of that goal a given organization is able and willing to "own." This is a recipe for creating focused, productive partnerships.

A new place-based workforce development intermediary that reaches overlooked talent

System pillars: Talent development
Rewiring process: Institutional creation
Key institution: East Side Employment xChange

The East Side Employment xChange is a perfect example of how a small investment can dramatically improve the functioning of a much bigger system. Like many workforce development intermediaries, the xChange sits between workforce development organizations and employers, and aims to improve the flow of information between the two.

Specifically, the xChange connects a network of small workforce development entities focused on the East Side of St. Paul with employers, especially those that are situated on property owned by the Port Authority and have workforce agreements that stipulate that they make "best faith" efforts to hire from local communities. But the xChange does more than many intermediaries. It builds the capacity of its member workforce development organizations and helps them deliver services in a way that is both more personalized and more efficient. It pushes employers to adopt more equitable hiring practices. And it proactively aims to connect with the 90% of job seekers that never interact with the publicly funded workforce system. The xChange is a novel but eminently replicable model for a problem that exists in virtually every metro area across the country.

Catalyst

The East Side Employment xChange's origin story begins in 2013. Nexus Community Partners, a community-building intermediary that had worked in St. Paul's East Side since 2004, brought together a group of public, nonprofit, and philanthropic organizations to discuss collective goals for the East Side and how they could better align their efforts. (The East Side is nearly 60% people of color, and one in three households earns less than $35,000 annually.[18]) This group included several community organizations and philanthropies focused on the East Side, plus representatives from the mayor's office, the Saint Paul Port Authority, the Department of Planning and Economic Development, and the City Council. According to attendees, this group had a shared commitment to the East Side but had never been in the same room before and had no "unified plan around economic development or equity issues."

From this meeting emerged a three-part framework for economic development on the East Side: career pathways, small business creation, and asset-building. Soon after, this framework was formalized as a community-based partnership called the East Side Economic Growth Initiative (ESEGI). Nexus, the McKnight Foundation, and the McNeely Foundation invested in the initiative to enable community organizations to test emerging strategies. A Nexus employee noted that rather than creating competition between under-resourced organizations (as often occurs with new funding opportunities), this structure "catalyzed alignment of philanthropic funds" and "catalyzed relationships between organizations that had not formally worked together."

In 2014, the East Side Funders Group was formalized to build upon ESEGI. The group's founding members include the five organizations that funded ESEGI (Nexus, Northwest Area Foundation, the McKnight Foundation, the McNeely Foundation, and the Saint Paul and Minnesota Foundation). It has since expanded to more than 25 entities, including corporate foundations and several local and regional economic development organizations.

The East Side Funders Group's priorities, which reflect the ESEGI framework, are workforce development, job creation, and elevating and building asset-based narratives of people of color and indigenous populations. While the Group's members maintain their own separate funding commitments, they created a shared East Side Opportunity Fund designed to make "smaller-scale, nimble community investments…intended as seed funding to advance a program, partnership, or project to its next level or to catalyze an innovative approach focused on our priority areas." Since 2018, the Fund has invested $1.25 million in amounts ranging from $3,000 to $50,000.

An early Opportunity Fund's investment was $50,000 to support the creation of the East Side Employment xChange—one of the Funder Group's signature workforce development strategies.

Execution and key stakeholders

The East Side Employment xChange brings together a group of workforce development providers that all operate on the East Side. The group includes seven training providers, most of which receive some public funding (primarily via Ramsey County's Workforce Solutions office, which administers federal workforce funding). This group includes some organizations that work across the metro area (such as Goodwill and the Hmong American Partnership), some that focus specifically on the East Side (Merrick Community Services), and some that focus on specific populations (the American Indian Family Center and the Latino Economic Development Center). The xChange also includes Metro State University, which is based on the East Side and focuses on adult and nontraditional students.

In bringing these organizations together through the xChange, the Funders Group sought to address a fundamental challenge: These organizations all had a shared focus on East Side prosperity, and several reached similar populations, but they operated like competitors rather than collaborators. Moreover, due to funding constraints, they all tended to focus on short-term outcomes (connecting people to jobs as quickly as possible), and served artificially narrow population groups stipulated in their contracts. One result of this dynamic is that many of these organizations offered few opportunities for professional development for their own staff, and struggled with high turnover among job coaches and employment counselors.

This system—or lack thereof—resulted in bad experiences for job seekers and employers alike. Job seekers who engaged with the workforce system faced a confusing maze of organizations, struggled to find the personalized support they needed, and were directed toward jobs that may not have been aligned with deeper career aspirations. Those who tried to find jobs on their own found that many online postings weren't for actual open positions (companies were using them as recruiting tools), or on the other hand, they were contacted by companies whose jobs they hadn't applied for.

Meanwhile, employers who wanted to partner with the workforce development system needed to maintain 10 or 12 different recruitment relationships with organizations that had high staff turnover. And employers found that workforce organizations were constantly pitching their training programs, when employers wanted to do the training themselves—they just needed connections to people.

The experience of the Saint Paul Port Authority illustrates the effect of this system failure. The Port Authority is a quasi-governmental agency that undertakes major redevelopment projects and then sells land to companies at below market rates to create jobs in St. Paul. There are 500 companies on Port Authority land that collectively employ 25,000 people. The companies that occupy these sites must provide one job per 1,000 square feet of building space and must sign a legally binding workforce agreement. It stipulates that firms will pay a minimum wage of $15 an hour plus benefits (or $17 without benefits) and make a best faith effort to ensure that 70% of new employees come from St. Paul (with bonus points for hiring from high-poverty target areas).

In 2017, the Port Authority partnered with the East Side Funders Group to gather data around their current workforce strategy and agreements. They partnered with a team of MBA students at the University of Minnesota to interview every Port Authority tenant that had a workforce agreement. Their findings were clear: These agreements were working in "theory but not in practice." Even though these companies had incentives to work with workforce development agencies and were desperate for workers in a historically tight labor market, they weren't partnering with those agencies. There was a Port Authority employee whose role was to connect companies with workforce agencies, but even she was struggling to source talent via the public workforce system. Without a functional system, companies and job seekers relied on word of mouth, personal connections, and online job boards—and often missed each other in the process. Penalties for noncompliance on workforce agreements were rarely enforced (in theory, companies had to pay $3,000 for every employee not hired). In short, the workforce agreements were not actually influencing hiring decisions because businesses did not perceive there to be a mechanism that allowed them to tap into local workers from high-poverty neighborhoods in any systematic way.

Notably, the Port Authority previously operated a social enterprise called Employer Solutions, Inc., which acted as a recruitment and staffing agency for Port Authority tenants. It shut down during the Great Recession due to funding constraints. Port Authority and East Side Funders Group leadership discussed resurrecting Employer Solutions, Inc., but first agreed to make a connection between the Port Authority and xChange leadership to identify potential synergies. This led to the creation of a new employer liaison position to serve both the xChange's workforce development organizations and Port Authority businesses.

Outcomes

The xChange is an attempt to solve the problems described above by turning a set of competitive, resource-constrained workforce development organizations into a highly collaborative network despite separate funding streams and the restrictions that come with those. Importantly, the employer liaison is not an employee of one member organization, and their contract stipulates that they report to xChange leadership and the Port Authority. This ensures that they prioritize the network as a whole, and are equally responsible to both halves of the system: the Port Authority representing employers and workforce organizations representing job seekers.

In a sign that the xChange has managed to meet the needs of employers, the Port Authority recently updated its workforce agreements to require all firms on their properties meet with the xChange as part of their "best faith" effort to hire locally. And in a sign that the xChange is enabling its member organizations to collaborate more effectively, they recently applied for operational funding from United Way as a group. Given the history of these organizations competing with one another for funding, this is a notable shift in behavior.

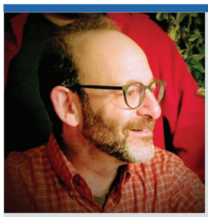
At the center of the xChange is the employer liaison, who works directly with employers and workforce development staff to make jobs more accessible to East Side residents. In the second quarter of 2021, the xChange reached 684 job seekers, and over the past several years, the xChange has connected with 48 employer partners. The work of the employer liaison involves bi-direction exchange between these two parties: sharing feedback from job seekers and job counselors as well as labor market data with employers to help them understand why they may be struggling to recruit and hire diverse staff; and sharing information on job leads, hiring processes, and feedback from employers with job counselors. The xChange facilitates monthly meetings to enable these job counselors to share best practices and information, review job search tools, and hear from employers. Pre-Covid, over 60 individuals were engaged in these and other "action teams."

The key lesson from the early experience of the xChange is that a targeted, modest investment supporting two part-time contract staff who play a coordinating and convening role can make an entire system function better. For workforce development staff, it is more collaborative; for job seekers, it is more personalized; for employers, it is more responsive and able to operate at scale.

This raises the question: Why is more personalized workforce development on the East Side an important outcome? Isn't there a case for centralizing services for the sake of scale and efficiency? According to Luke Weisberg, a staff consultant and coordinator for the xChange, "Workforce is a human service—everyone's path to work is idiosyncratic, so we need job seekers to connect to someone who can help them navigate, a process that by necessity has to be personalized." Rachel Speck, xChange's employer liaison, noted that the biggest driver of success is the degree to which local residents trust the staff of workforce development organizations. That is why it is important that workforce development services are delivered via a network of hyperconnected, culturally relevant, community-based organizations. Speck said that for the communities in the East Side, "It does not come naturally to extend trust very far; there is little trust in big institutions with brand names, but people are willing to work with organizations that helped a family member."

The xChange ensures that anyone who enters the workforce development system ends up working with the organization that is best suited to meet their needs. A shared funding pool is helping xChange partners serve participants beyond the financial and programmatic constraints of their funding streams. The xChange is also helping member organizations build more relational approaches—organizing their interactions around job seekers' aspirations and motivations, rather than their eligibility for certain services.

Similarly, the xChange achieves efficiency for employers by ensuring that there is no wrong door—employers can easily source talent because every member of the xChange will share opportunities with one another and assemble a pool of candidates by drawing on their respective networks. Being responsive to employers does not mean being deferential; the xChange works to improve how employers hire by informing firms about what employees want in a workplace, what wages are competitive, what information needs to be included in job postings, and how certain criteria could be unnecessarily limiting their talent pool (e.g., educational credentials that aren't necessary for the job). The key to this work is simple, according to Luke Weisberg: "Actually listening to people." For example, in early 2021, the xChange hosted "talking circles" led by elders from various East Side communities and surveyed East Side residents; several big themes emerged from that outreach (e.g., people looking for jobs often aren't just looking for convenience or wages—they want to enter a line of work that they can teach to their children), as did simple tweaks that could make hiring easier (e.g., listing shift times in job postings).



"Workforce is a human service—everyone's path to work is idiosyncratic, so we need job seekers to connect to someone who can help them navigate, a process that by necessity has to be personalized."

— Luke Weisberg, Coordinator, Eastside Employment xChange

The Port Authority and the xChange will soon have an opportunity to reflect on lessons from the past several years and refine its approach. The Port Authority is in the process of redeveloping a 112-acre golf course on the East Side. The plan calls for 1,000 jobs in light-industrial and manufacturing facilities. It is anticipated that the workforce agreements for these 1,000 jobs will cover a broader range of topics than just wages and local hiring. For these employers, a "best faith" effort may imply that businesses are investing in areas such as profit sharing, homebuyer assistance, DEI training, and so forth. This reflects the emergence of "community wealth-building" as a key concept in economic inclusion discussions in St. Paul, as evidenced by the Worker Ownership Initiative and the Office of Financial Empowerment (discussed elsewhere in this case study).

In mid-2021, the xChange got a major boost in the form of a $750,000 grant from 3M, which is expected to renew the grant for four years, for a total investment of $3 million. This will fund several efforts. One is new methods of reaching job seekers: According to Rachel Speck, the publicly funded workforce system only reaches about 10% of job seekers in a given year. Since an individual's career opportunities depend on getting the right information at the right time, the xChange aims to build a small outreach team that is connected to community organizations and can proactively connect individuals to xChange resources. The 3M grant will also provide stipends for job seekers who are in training programs, as well as paid work experiences—financial assistance that is a crucial missing link for low-income job seekers. Lastly, the grant will help the xChange build out more measurement tools, including a dashboard to track the organization's impact in areas such as job placements, wage equity, and adoption of more equitable hiring practices.

As noted in the framing paper for this project, institutional creation is often a last resort for regional leaders; regional economic development systems seem complex and decentralized enough already. The East Side Employment xChange is a perfect example of where the creation of a new institution is merited—with a small staff and relatively small budget, it effectively reaches people that the publicly funded workforce development system does not, builds capacity among the training providers that help to develop their talents, and makes it easy for employers to fulfill their desire or obligation to hire from disconnected, low-income communities. This is the essence of "rewiring": building capacity across systems in service of inclusive growth by linking organizations connected to local communities with those connected to growing businesses that understand the value of a diverse workforce.

Conclusion

In many ways, St. Paul represents the best-case scenario for older industrial cities. While the city has struggled with the deterioration of its industrial base and, until recently, population decline, it is also situated in a large, prosperous region with a wealth of Fortune 500 companies, philanthropies, and, as a result, an array of relatively high-capacity organizations in each of the four system pillars.

This case study could be seen simply as a set of five interventions that leaders in other older industrial cities should consider replicating. But leaders in other older industrial cities should not overlook the challenges that St. Paul has had to navigate in rewiring its systems—there are lessons there, too. The abundance of economic development actors, combined with the extraordinarily urgent need to confront systemic racism following the murder of George Floyd and other police shootings of Black men, could have destabilized the system, with organizations racing to respond to the moment by setting new goals and creating new programs in isolation. But with organizations such as the Center for Economic Inclusion and Greater MSP, which are focused on system-building and collective action, combined with the collaborative and outcome-oriented nature of the other leaders profiled in this case study, what seems to have occurred instead is the beginnings of an effective rewiring process. New institutions have been created, others have intentionally aligned, and others have been through significant evolutions. This work is still very much ongoing and not without its tensions and unsuccessful experiments, but it is nonetheless an important model for local and national leaders.

Endnotes

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