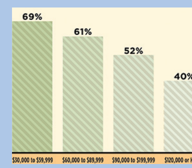

July 2012

CommunityDividend

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Spanning the spectrum of Native workforce development

By Jacob Wascalus

PHOTO BY STAN WALDHAUSER

Instructor Mitzi Hobot teaches a technical writing class at American Indian Opportunities Industrialization Center (AIOIC), a Native-oriented job training and employment services provider in Minneapolis.

In a broad sense, *workforce development* is the cumulative education and training that endows individual workers with the skills necessary for gainful employment while also supplying businesses with an adequate pool of qualified workers. Depending on the context, workforce development can include anything from early childhood education and socialization skills to vocational training and advanced post-secondary education.

This article focuses on some innovative workforce development efforts under way in the Ninth Federal Reserve District's Native American communities, where educational attainment and employment levels lag those of their surrounding states. For example, in each of the six states in the Ninth District, the percentage of Native Americans with less than a high school diploma is higher than the statewide percentage. (See Table 1 on page 4.) Similarly, the percentage of unemployed Native Americans aged 16 or older in each of the Ninth District's states is persistently higher than the percentage statewide. (See Table 2 on page 5.)

As the programs described below demonstrate, Native-focused organizations are working to increase work preparedness, education levels, and employment rates in the communities they serve. From the "soft skills" that teach the rules of mainstream workplace interactions to four-year degrees that position job seekers for high-skill work, initiatives directed toward Native communities throughout the Ninth District span the spectrum of workforce development programs.

Teaching "soft skills"

Having workers who possess the "hard skills" needed to perform their jobs is a business necessity. Metal workers must know how to solder and braze, for example. However, "soft skills" are also critical to a business's sustained success. People who exhibit soft skills, or "people skills," demonstrate an abil-

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United Way's ROI project measures job training outcomes

By Sarah Radosevich

In 2007, Greater Twin Cities United Way (United Way) invested $5 million in 36 job training and employment assistance programs. At the same time, the organization launched a years-long project to analyze the impact of the programs. Five years later, the analysis is starting to yield impressive and meaningful results.

As the largest nongovernmental funder of job training and employment assistance in the Minneapolis-St. Paul area, United Way had a strong incentive to understand the impact of its investments. Typical impact indicators used at the time were *outputs,* such

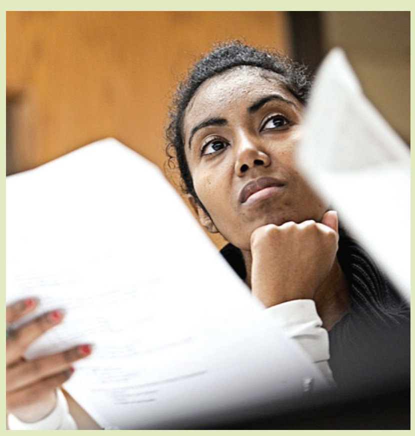

PHOTO BY ALEXANDER ZOLTAI

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What ails the housing market?

PART 1: A brief exploration of key factors inhibiting home buying

By Jacob Wascalus

Home prices in the U.S. have fallen precipitously from their pre-recession highs and interest rates are unprecedentedly low, yet the housing market remains sluggish. This sluggishness is reflected in the deflated number of loan applications submitted for single-family home purchases in the U.S. in 2009 and 2010, a figure that continues a downward trend in attempted home buying since the 2005 peak in applications. Although the mid-decade high point of applications reflected an unsustainable level of mortgage activity, the number of applications made five years later was more than 50 percent lower than the decade-long average (see Figure 1 on page 2).[1] Simply put, something ails the housing market. But what?

Chris Galler, CEO of the Minnesota Association of Realtors, sifts through mountains of data as he studies the housing market, and he can list off a battery of reasons why the housing market remains lethargic. One factor he points to is limited access to credit, which many previously qualified consumers are experiencing. Since early 2007, the average FICO® Score,[2] or credit score, of loan recipients nationwide has soared by approximately 50 points (see Figure 2 on page 2).

"Many lenders seem to want borrowers with credit scores greater than 700," he says.

The increase in average credit scores reflects, among other things, a tightening of underwriting standards—a rever-

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What ails the housing market?

PART 1: A brief exploration of key factors inhibiting home buying

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sal of the less-stringent parameters some lenders had in place during the mid-decade housing boom.[3] According to Galler, the stricter underwriting standards disqualify a segment of the population that may have qualified for a loan six years ago but now, having FICO Scores in the mid- to low 600s, finds itself with no or poor home-buying options.

Another factor Galler identifies as inhibiting home buying: fewer young people are entering the market.

"In general, people are waiting a little longer to get married, and they're having children later," he says. "This has implications for when people buy their first home."

In fact, since 1999, the percentage of 25- to 34-year-olds nationwide who have a mortgage has declined, from 18.5 to 17.1, while the percentage of people 35 and older who have a mortgage has increased, from 25.7 to 31.3 (see Figure 3). While the cause of this divergence between age cohorts could be a function of lifestyle preferences or the result of unstable personal financial conditions (such as an increase in student loan debt), the implication is that with fewer young people seeking to purchase homes, demand for homes—typically starter homes—may remain soft.

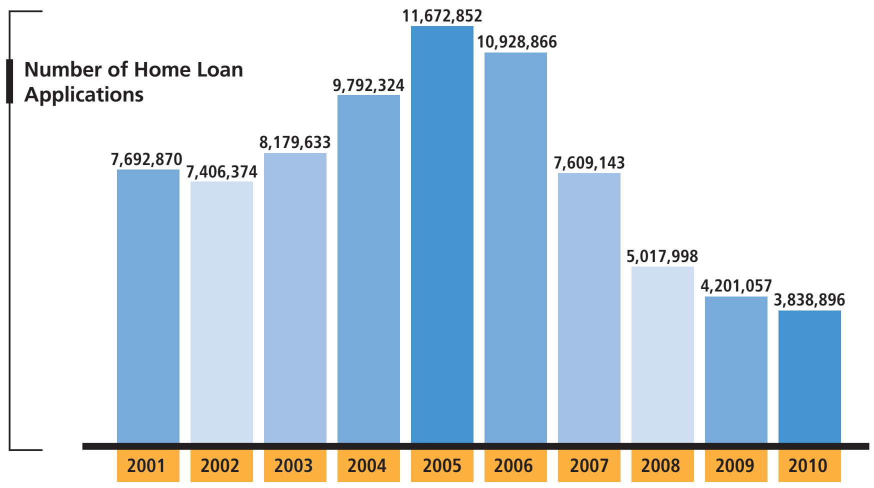
But not all is hopeless, particularly for those who have poor credit scores. As Anita Olson, single family housing specialist at the Minneapolis office of the U.S. Department of Housing and Urban Development, says, "People don't need to wait seven years to get back into the homeownership market. They can start restoring their credit right now, and in a relatively short amount of time—say, three years—start the process of buying a home." cd

[1] Robert B. Avery, et al., "The Mortgage Market in 2010: Highlights from the Data Reported under the Home Mortgage Disclosure Act," *Federal Reserve Bulletin,* Board of Governors of the Federal Reserve System, December 30, 2011.

[2] The FICO Score, a product of the Fair Isaac Corporation, is widely used by lenders as an indicator of an individual's credit risk. Scores range from 300 to 850; the higher the score, the lower the perceived risk. For more information, visit www.myfico.com.

[3] The reluctance of lenders to make GSE (government sponsored enterprise)-eligible loans to potential borrowers with credit scores below 700 is reflected in the opinions of senior loan officers at 58 domestic banks and 23 U.S. branches and agencies of foreign banks, as reported in the Board of Governors of the Federal Reserve System's *April 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices,* available at http://federalreserve.gov/boarddocs/snloansurvey/201205/default.htm.

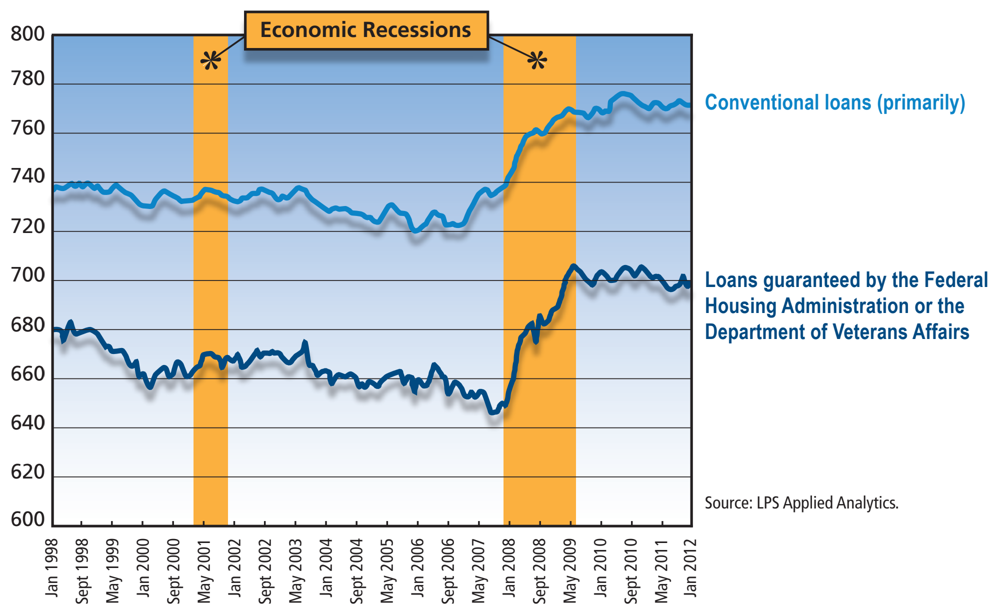
Figure 1: Home Loan Applications in the U.S.,* 2001–2010



Source: Based on a table in Robert B. Avery, et al.,"The Mortgage Market in 2010: Highlights from the Data Reported under the Home Mortgage Disclosure Act," *Federal Reserve Bulletin,* Board of Governors of the Federal Reserve System, December 30, 2011.

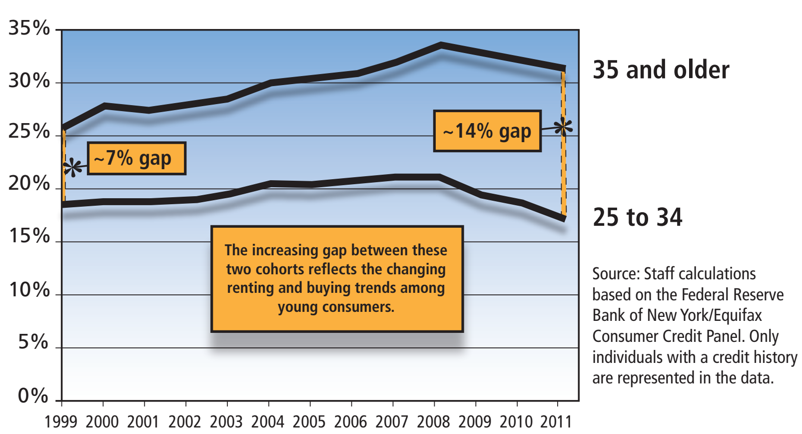
*Total home loan applications reported by lending institutions that are subject to the Home Mortgage Disclosure Act, or HMDA. The Federal Financial Institutions Examination Council posts HMDA data annually at www.ffiec.gov/hmda/default.htm.

Figure 2: Average Credit Scores of Home Loan Recipients in the U.S., 1998–2012



Source: LPS Applied Analytics.

Figure 3: Individuals in the U.S. Who Have a Mortgage, by Percentage of Age Group, 1999–2011



Source: Staff calculations based on the Federal Reserve Bank of New York/Equifax Consumer Credit Panel. Only individuals with a credit history are represented in the data.

What ails the housing market?

PART 2: Perspectives from industry professionals

By Jacob Wascalus

PHOTO BY PAULA WOESSNER

To better understand what factors are inhibiting home buying in the Twin Cities and Greater Minnesota, *Community Dividend* posed a trio of questions to a cross-section of housing industry professionals this past April. Their responses, captured below, range from general observations, such as a lack of buyer confidence, to more specific examples, such as low rates of household formation.

INTERVIEWEES:

Chris Galler, CEO, Minnesota Association of Realtors
www.mnrealtor.com

Julie Gugin, Executive Director, Minnesota Homeownership Center
www.hocmn.org

Jim Hines, Assistant Vice President, Wells Fargo Home Mortgage
www.wellsfargo.com/mortgage

Anita Olson, Single Family Housing Specialist, Minneapolis Field Office, U.S. Department of Housing and Urban Development (HUD)
www.hud.gov

Community Dividend: From your viewpoint, what key factors are inhibiting home buying?

Chris Galler: There are three major ones at this point. First, there are fewer young consumers, and they have very low rates of household formation; second, it's difficult for previously qualified consumers to obtain financing; and third, overall consumer confidence in purchasing a home is low.

Julie Gugin: Two issues that remain problems for potential home buyers are down payment accessibility and getting their credit scores in order. There are also not enough viable, easy-to-implement tools that loan officers can use in their work with first-time home buyers.

Jim Hines: There are still millions of homes tied up in the foreclosure process, which has fueled fears that an avalanche of new supply will come on the market. These fears are keeping appraisals conservative and mortgage underwriting standards tight, which could discourage home buying and keep many would-be sellers and buyers on the sidelines.

Anita Olson: In general, potential home buyers currently fall in two groups. One consists of people who have the means and creditworthiness to buy a home, but the turbulence and chaos of the market are keeping them from purchasing one. That's one factor inhibiting home buying: uncertainty. The other group consists of people who have had "life" happen to them—job loss, foreclosure, short sales, deed-in-lieu and bankruptcy—catastrophic events that have caused them to experience credit problems. Many of the people in this group think that because of their past circumstances, they can't become homeowners in the future. This isn't true when it comes to FHA [Federal Housing Administration] financing, and this misunderstanding is another factor inhibiting home buying.

Community Dividend: How do you foresee the housing market shaping up in the next 12 months?

Chris Galler: We foresee a very slow recovery. We have fewer young people—20- to 30-year-olds—entering the market, and those that are have not formed typical, dual-income households. Combined with higher energy costs, high numbers of foreclosures in the 30- to 50-year age demographic, and a very negative election cycle, the back half of 2012, especially third quarter, will be slow.

Julie Gugin: I think we're going to see improvements. The rental market is starting to turn people off—rents are very expensive, choices for larger families are limited, and we continue to hear from consumers that they want to buy a home.

Jim Hines: According to Wells Fargo's Economics Group, both sales and new home construction have increased modestly, and prices for non-distressed sales have stabilized in many markets. Credit conditions have also improved modestly, and progress has been made in clearing some of the excess inventory of homes owned by financial institutions or tied up in the foreclosure process. We expect to see sales of new single-family homes rise 12 percent in 2012, and to see housing starts rise 9 percent this year, with single-family construction rising 8 percent and multifamily starts rising 12 percent. Overall, starts should rise an additional 16 percent in 2013.

Anita Olson: In Minnesota, FHA has increased its mortgage financing over the past five years, assisting with stabilizing the housing market. FHA-insured active loans went from 55,000 in 2007 to more than 138,000 in 2012. The next 12 to 24 months will consist of a slow, steady, upward climb.

Community Dividend: What can government, lenders, or potential home buyers do to set the housing market on a stable recovery?

Chris Galler: The government can reduce the regulatory overload. Tighter lending regulations, such as the QRM [Qualified Residential Mortgage] provision,[1] are making it difficult for today's consumers to purchase a home, and government talk of eliminating mortgage interest deductions adds to consumer concerns about the financial benefits of owning one. Lenders need to quickly modify the short sale process so homes don't reach the foreclosure stage. A number of transactions are either delayed or never happen because lenders still have no efficient means to dispose of these properties. And home buyers can reduce their expectations. Nobody is giving homes away, but far too many home buyers think they can purchase a home at 30 or 40 percent below the listing price.

Julie Gugin: The home-buying public needs to take advantage of some of the educational opportunities available to determine if buying a home is appropriate for them. If consumers arm themselves with adequate information, they can make the choices that will lead to appropriate and successful housing outcomes. Furthermore, lenders need to be more aware of the home-buying programs that are out there, and government needs to consider simplifying those programs, particularly ones targeted toward first-time home buyers.

In general, the industry needs to realign its thinking on what it's going to take for people to be first-time home buyers. A lot of people have gotten caught in unemployment and underemployment situations but still have very high potential to be stable homeowners, and the industry needs to continue to get creative about messaging, developing products, and assessing who the new consumer is in our post-foreclosure world.

Jim Hines: That's a difficult question to answer. That said, Wells Fargo supports national disposition strategies that will do three things: provide rental and affordable housing, clear sales of REO properties, and build partnerships that will address inventories today and in the future. We further recommend segmenting the inventory of government-owned real-estate properties according to optimal sales opportunities and rental opportunities, to make a national REO-to-rental program viable for entities that have significant REO portfolios.

Anita Olson: Potential home buyers can learn about repairing their credit and other ways of taking advantage of homeownership opportunities. They should seek out HUD-Approved Housing Counseling Agencies, which provide education and information on preparing to purchase a home.[2] While there has been a lot of negative press about the housing market, there have been encouraging trends as well. The government—particularly HUD and FHA—and the mortgage industry can help move this dialogue forward and restore confidence by helping consumers learn about the positive homeownership opportunities that are available. cd

[1] The 2010 Dodd-Frank Wall Street Reform Act contains a provision requiring the securitizers of mortgage loans to retain "an economic interest in a portion of the credit risk" of the loans being securitized. Residential mortgage loans that have a low risk of default, called Qualified Residential Mortgages, are exempt from the requirement. As of June 1, 2012, federal banking regulators had not yet issued final regulations regarding the provision.

[2] See www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm for a list of HUD-Approved Housing Counseling Agencies in each state.

Spanning the spectrum of Native workforce development

Continued from page 1

ity to successfully manage stress, resolve conflicts, and navigate workplace challenges—behaviors that contribute to improved workplace productivity and job retention.

For most residents in north central Montana, home to the Fort Belknap, Blackfeet, and Rocky Boy's Indian reservations, the programs offered at area tribal colleges, such as Fort Belknap College and Blackfeet Community College, are ideal for learning the hard skills required for many jobs. Yet the opportunity to learn soft skills is constrained by the geographic isolation of many reservations, which can limit residents' exposure to settings and employers outside their immediate communities. Recognizing this situation, Opportunity Link, an anti-poverty organization based in Havre, Mont., funded the creation of a soft skills-focused workbook called *Workin' with Tradition* to help job seekers of Native American heritage or from small, rural communities succeed in their goals of obtaining and maintaining entry-level work.

"*Workin' with Tradition* is designed to help workers understand the unspoken sets of rules that employers often use," says Day Soriano, director of development at Opportunity Link. "It points out that the beliefs they've formed about themselves and the everyday world they grew up in may be very different from the ones they encounter in the workplace." Examples of unspoken workplace rules discussed in the workbook include showing up for work on time and being open to criticism from supervisors.

The ten-lesson workbook, which is based on the *Workin' It Out* employment training curriculum created by Dr. Steve Parese (www.steveparese.com), has been in use since 2010. It uses culturally relevant scenarios and activities to explore strategies for overcoming common employment challenges, such as finding the motivation and resources to travel long distances for work. So far, more than 200 people have participated in *Workin' with Tradition* workshops, which are being taught on all seven of Montana's Indian reservations by 28 trained facilitators.

While the workbook can be taught as a stand-alone course, such as at Stone Child College on the Rocky Boy's Reservation, it is often incorporated into the curricula of other programs. One such program is YouthBuild of North Central Montana, a U.S. Department of Labor-funded workforce development initiative that teaches low-income 16- to 24-year-olds basic carpentry skills while they earn their GEDs. Based on the campus of Montana State University-Northern, the 20-week, 20-student program recently incorporated the entire *Workin' with Tradition* workbook into its broader curriculum.

"We try to get them ready for the job market," says Bob Anderson, director of the area's YouthBuild program. "Not only do they need the academic training, but they also need to develop the soft skills."

A one-stop career training shop

Located in the heart of Minneapolis, American Indian Opportunities Industrialization Center (AIOIC) operates as a veritable one-stop shop for individuals seeking to jump-start their careers. With a goal of providing education, training, and employment services for American Indians and others in need of career assistance, this workforce development organization operates a range of programs that help hundreds of people annually. For the nearly 12,000 American Indians aged 25 or older in the Twin Cities, having an organization dedicated to improving their employability is a valuable resource, particularly when 18 percent of them lack high school diplomas or GEDs.[1]

PHOTOS BY STAN WALDHAUSER

The technical writing students pictured above are enrolled in AIOIC's Computer Support Specialist Program, 1 of 13 certification programs designed to prepare Native Americans and others for careers in information technology and other in-demand fields.

"Workforce development is critical to meet employment needs in the Twin Cities," says Mitzi Hobot, external relations director for AIOIC. "We see 40 new individuals a week and 70 percent are scoring below 7th grade levels for reading and math. Without structured training and employment services, we'll never be able to reduce the number of those on assistance or meet the employment demands of the area."

AIOIC offers career training programs in three industry categories: health care, business, and information technology. Among those categories, students can choose from 13 different job-specific certification programs that are developed in consultation with employers and taught by industry professionals. The programs, which range in duration from one week to nine months, teach students the skills and subject matter needed to start careers as administrative assistants, public relations specialists, nursing assistants, and computer support specialists, among others.[2] Currently, the only programs that charge tuition are those in the business category; all others are free.

To enhance the effectiveness of its career training programs, AIOIC operates an employment services function that works with program participants throughout their training. Not only do students receive assistance in finding a job, but they also receive help in developing their resumes, learning about employer expectations, and access-

TABLE 1: EDUCATIONAL ATTAINMENT OF THE NATIVE POPULATION AND TOTAL POPULATION BY PERCENTAGE OF THE POPULATION AGED 25 OR OLDER

Level of education attained	Michigan*		Minnesota		Montana		North Dakota		South Dakota		Wisconsin*	
	Total	Native	Total	Native	Total	Native	Total	Native	Total	Native	Total	Native
Less than a high school diploma	11.6	18.9	8.5	20.6	8.6	20.0	10	17.8	10.2	21.8	10.2	17.1
High school diploma	31.0	34.1	27.6	29.3	30.4	28.9	27.3	25.8	32.1	31.4	33.7	31.5
Some college or associate's degree	32.4	36.1	32.4	38.6	32.7	37.5	36.2	41.3	32.2	35.3	30.2	40.1
Bachelor's degree	15.5	7.5	21.4	8.5	19.5	10.2	19.4	9.5	18.0	8.6	17.2	6.5
Graduate or professional degree	9.6	3.4	10.2	3.0	8.7	3.4	7.1	5.6	7.4	2.9	8.7	4.7

Source: U.S. Census Bureau's 2008–2010 American Community Survey Three-Year Estimates.
* Figures reflect all counties in Michigan and Wisconsin, including those that lie outside the Ninth Federal Reserve District.

TABLE 2:

UNEMPLOYMENT RATES OF THE NATIVE POPULATION AND TOTAL POPULATION, 2000 AND 2010 BY PERCENTAGE OF THE POPULATION AGED 16 OR OLDER

Year	Michigan*		Minnesota		Montana		North Dakota		South Dakota		Wisconsin*	
	Total	Native	Total	Native	Total	Native	Total	Native	Total	Native	Total	Native
2000	3.7	7.2	2.9	9.3	4.1	11.9	3.0	10.9	3.0	13.1	3.2	8.4
2010	8.1	10.5	5.0	11.1	4.1	11.4	2.5	6.5	3.4	14.4	5.1	10.2

Source: Census 2000 and U.S. Census Bureau 2008–2010 American Community Survey Three-Year Estimates.
* Figures reflect all counties in Michigan and Wisconsin, including those that lie outside the Ninth Federal Reserve District.

ing appropriate work attire. Moreover, if it's needed, students will be connected to support services that can offer solutions to childcare, housing, and transportation challenges.

Since March 2010, more than 1,100 students have graduated from or are still enrolled in AIOIC career training programs. And since June 2011, nearly 350 of those students have gone on to find steady employment.

"We have a really solid placement rate for our students," says Hobot. "In fact, for individuals who go through the entire employment services process with us and who enroll in and complete one of our training programs, we have a 97 percent job retention rate."

Hobot attributes the overall success of AIOIC's job placement services to the close relationships the organization has developed with many area employers and the positive reputations earned by AIOIC graduates who have gone on to work at those establishments.

"We have a lot of employers who will 'repeat hire' from us," she says. "We know what the employers want and need, and we know what AIOIC's students want and can do."

Tribal colleges offer fast-track job training

For those looking for an alternative to four- or even two-year post-secondary educational programs, some community or technical colleges offer fast-track means to learn new trades. In Bismarck, N.D., United Tribes Technical College (UTTC), an accredited institution dedicated to providing American Indians with post-secondary and technical education, fills this niche.

As the recent recipient of an $18.9 million federal grant oriented toward workforce development, UTTC is leading a consortium of four tribal colleges—made up of UTTC; Aaniiih Nakoda College in Harlem, Mont.; Cankdeska Cikana Community College in Fort Totten, N.D.; and Fort Peck Community College in Poplar, Mont.—in an initiative to equip students with the skills and education needed to compete for local and regional jobs.[3] Working directly with employers, the initiative—called the Tribal College Consortium for Developing Montana and North Dakota Workforce (TCC DeMaND)—has developed or is enhancing 21 programs that are geared toward training students for in-demand careers at regional businesses. The careers include welding, geographic information systems (GIS), and other skilled trades that feature prominently in the oil-extraction industry, a rapidly growing sector in North Dakota.

Because student tuition will not cover the development costs for all of the programs, the consortium will use the grant money to purchase equipment and cover other capital requirements necessary for some of the programs' development. After the three-year grant expires, according to Dave Archambault, TCC DeMaND workforce director at UTTC, the programs should be able to function on student tuition and fees.

"Even though we set our goals high, we're confident we'll be able to help connect displaced workers and other unemployed residents to jobs in industries that have a need for workers," he says.

In addition to welding and GIS, programs range from HVAC and heavy equipment training to nursing assistant certifications. According to Archambault, 3 of the initiative's 21 programs are currently offered, while the remaining 18 should be ready by this fall. The programs range in duration from four weeks to two years.

He adds, "Training people relatively quickly and getting them into the workforce allows them to become self-sufficient. We're building an American Indian workforce that will be less dependent and will have the ability to support themselves and their families. They'll have pride in who they are and what they do. By developing this untapped workforce, we'll create change in Indian Country in a positive way."

Bringing the community college to the students

The Lac du Flambeau Reservation, home to more than 1,800 members of the Lac du Flambeau Band of Lake Superior Chippewa Indians, lies 40 miles from Nicolet College's main campus in Rhinelander, Wis. Yet since the spring of 2011, the reservation's Education Center has doubled as a classroom for Lac du Flambeau members enrolled in Nicolet College courses. For this northern Wisconsin tribe, bringing the community college to the students, rather than having the students drive to the college, is turning out to be quite an effective workforce development strategy.

"Transportation is a really big issue, especially in the winter," explains Christin Coleman, higher education transition coordinator of the Lac du Flambeau Education Department. "What we're trying to do is help alleviate that obstacle by bringing classes here."

The Nicolet College-Lac du Flambeau partnership provides community members with a convenient opportunity to take classes on a range of subjects, such as business management and natural resources, that are fundamental to careers with tribal employers and area businesses. The goal of the partnership is to increase the overall educational attainment of tribal community members—first by establishing a curriculum for them to earn an associate's degree from Nicolet College and then by facilitating their transfer to a traditional, four-year institution, such as a college within the University of Wisconsin System. Currently, approximately 7 percent of Lac du Flambeau Reservation residents have bachelor's degrees. The tribe would like to see that number increase to 10 percent through this program.

"Through the coursework offered by Nicolet, they'll be able to receive multiple certifications that will enable them to advance in their careers and be stronger employees for the tribe," says Coleman.

To that end, the tribe strives to offer at least 6 credits of college classes per semester, with the goal of increasing that number to 12 credits. To encourage current Lac du Flambeau employees to enroll in classes, the tribe provides four hours of paid time off each week that students can use to attend classes and study. So far, 25 to 30 students each semester have taken advantage of this opportunity.

Nicolet College is looking to expand its on-reservation course offerings to reflect the workforce needs of the tribe and the broader area. On tap for the fall of 2012 is a dental hygienist program, which the college is developing in response to the planned construction of a dental clinic on the reservation. Early childhood education is another potential subject area.

"Because we're a small college, we're able to adapt to the changing needs of students and regional job providers," explains Rachelle Ashley, director of multicultural services at Nicolet College. "We're doing a range of classes in response to the workforce demands of tribal employers."

A panoply of programs

Across the Ninth Federal Reserve District, organizations are calibrating workforce development programs to serve Native participants and others, in concert with the employment demands of area businesses. From Opportunity Link's soft skills training and AIOIC's business and medical education programs, to UTTC's fast-track job training and Nicolet College's course offerings that align with job-specific certifications and associate's and bachelor's degrees—each of these work preparedness initiatives is designed to meet specific needs of workers and employers. And while they are intended to improve educational attainment and employment outcomes in Native communities, these initiatives may have broader and deeper effects.

Says Coleman of the Lac du Flambeau Education Department, "Working with employers to identify the needs they foresee and aligning training programs to meet those needs in a timely manner not only empowers the employer and the future employees to better the community, but also grows a culture where education is valued." cd

[1] This figure was drawn from the U.S. Census Bureau's 2006–2010 American Community Survey. With the supplied margins of error, the share of people aged 25 or older with less than a high school diploma could range from 15 to 23 percent.

[2] For a complete list of the 13 programs offered by AIOIC, visit www.aioic.org.

[3] The four-year grant was made through the Trade Adjustment Assistance Community College and Career Training Program, which is funded by the U.S. Department of Labor and the U.S. Department of Education.

United Way's ROI project measures job training outcomes

Continued from page 1

as the number of people who completed a program or the number of job placements. Outputs tell you something, but they do not measure *outcomes,* which are the long-term effects of programs. Encouraged by volunteers on its Basic Needs Committee, many of whom were business professionals, United Way began pursuing a different way to quantify outcomes, one adapted from the business world: Return on Investment, or ROI.

Getting ROI under way

An ROI analysis compares a program's costs to the benefits it creates: total benefits in the numerator, total costs in the denominator. In the case of United Way's job training programs, the difference between participants' pre-program earnings and post-program earnings is the key benefit. Another benefit is avoided costs, which are measured by state-provided data on participants' reduced use of public services such as food or cash assistance. The number resulting from the benefits-costs comparison is the ROI. The breakeven point is $1.00; anything above $1.00 represents a positive return.

For its ROI analysis, United Way needed data on the wages that graduates of its job training programs earn. The Minnesota Department of Employment and Economic Development (DEED) already collected some components of the necessary wage information, so United Way established a partnership with DEED to collect the rest of the needed data about the graduates—such as demographic information, wage and industry of most recent employment, and receipt of public benefits—from its funded agency partners.

Starting in 2007, all agencies receiving United Way funding for job training programs agreed to collect key data from consenting program participants. Agencies entered the data into spreadsheets and sent them to DEED, where analysts matched the program participants to DEED's wage information. The agencies added in dates for program completion and job placement as participants reached those milestones. Data on more than 20,000 program participants

Cover photo and above: Nursing assistant students attend the classroom portion of the International Institute of Minnesota's Medical Careers Pathway Program for New Americans, 1 of 36 job training and employment assistance programs evaluated through Greater Twin Cities United Way's Return on Investment initiative.

have been collected so far.

When the data collection first began, a few agencies were hesitant to participate. Would United Way implement a strict cut-off score and slash funding for any programs that fell below it? Could one number, the ROI estimate, be a useful means of evaluating so many different programs? Would the use of ROI encourage programs to pick only the easiest-to-serve clients and stop serving populations that have high barriers to employment? To alleviate the concerns, United Way staff made it clear that the ROI project was iterative and informational and would not replace other tools used to evaluate programs.

The process of constructing the ROI analysis enabled United Way staff to understand the costs, structures, and other aspects of each of the 36 job training programs in far greater detail than they had before, and to recognize the tremendous variety across programs.

PHOTOS BY ALEXANDER ZOLTAI

Students participate in a hands-on exercise in the Medical Careers Pathway Program's Skills Training Lab.

The results so far

Early results of United Way's ROI initiative suggest that for the majority of the analyzed programs, the community's investment is recouped within a year. This means that for every one dollar that goes in, approximately one dollar in return—in the form of higher income taxes paid and lower utilization of public services—is generated within one year.

Estimating long-term returns has proven to be more difficult, but given the strong one-year ROI and the positive effects of steady employment and earnings over time, United Way's ten-year ROI, even with conservative assumptions, will likely be much greater than $1.00.

The long-term ROI estimate suggests that early investments in job training and employment assistance pay off. The analysis also suggests that higher-intensity programs—for example, those that include an education or skills component in addition to job placement services—create longer-lasting improvements in participants' earnings trajectories. This would support the idea that for some participants, education and training bring more benefit than immediate new employment.

The process of constructing the ROI analysis enabled United Way staff to understand the costs, structures, and other aspects of each of the 36 job training programs in far greater detail than they had before, and to recognize the tremendous variety across programs, in terms of services delivered, intensity of services, and to whom costs should be attributed when program participants access services at several different agencies. United Way staff came to the realization that, in some respects, ROI is best thought of as a tool for continuous improvement, to be used repeatedly over years.

"ROI should be part of a broad set of measurement tools," says Luke Weisberg, a workforce development consultant for United Way and former director of the Governor's Workforce Development Council (GWDC), a nonpartisan state workforce office housed within DEED. "It is much better at measuring an organization's own change over time than at measuring across programs."

Participating agencies are seeing the benefit of taking part in the ROI project. For example, the longitudinal data allow staff at the International Institute of Minnesota (IIM) to show students their progress over the course of a program. While United Way is one of only a few funders requiring such rigorous data collection and analysis, other funders appreciate the data and pay attention to the results. Thus, the ability to clearly demonstrate the program's value can give the IIM and other agencies a leg up in competitive grant applications.

Next steps for ROI

United Way's methodology continues to grow more sophisticated through collaborations with partners such as the GWDC and the Wilder Foundation, and the data-collection process is becoming more automated and user-friendly. In the beginning, agencies entered client information into a spreadsheet, which had to be manually entered into a different spreadsheet by DEED. Each quarter, DEED's master spreadsheet was manually updated with the previous quarter's results. Now analysts at DEED have automated the data transfer and update processes. ROI will soon be incorporated into other reports, thus reducing double-entry for staff. As the system becomes increasingly automated, agencies should find it easier to generate meaningful analyses that inform program design and demonstrate program value to prospective funders.

In the future, United Way and the GWDC will take on the question of shared attribution: When an agency offers multiple services, how do you allocate overhead expenses among them? Similarly, how do you apply ROI when a participant may be served by several agencies?

"Outcomes produced by job training programs are often reliant and contingent upon adequate investment in safety net programs, childcare, early learning programs, parenting skills resources, adequate housing and nutrition, etc.," explains Brian Paulson, United Way's director of innovation strategies. "We can't be so myopic as to suggest that the job training program is solely responsible for the outcome."

By enabling before-and-after comparisons, the data set underlying the ROI project will allow researchers to examine the effects of policy changes. With enough data, United Way and the GWDC hope to understand the value added by each of the different services a participant can access, from childcare assistance to adult basic education to housing support. In a similar vein, United Way and the GWDC will look to understand which components of a typical job training program are the most important to a positive outcome.

Both Weisberg and Nick Maryns, senior policy analyst at the GWDC, say that a primary goal of the ROI project is to establish a system that agencies can use to analyze their own performance over time.

There is no doubt that this collaborative work around ROI is benefiting the state, nonprofit agencies, philanthropic funders, participants, and the community—even if the measurement systems can't quantify it all quite yet. cd

Sarah Radosevich recently served as a social finance intern for Greater Twin Cities United Way and is currently a public policy research associate at the Minnesota Chamber of Commerce. For more information on the United Way's ROI project, contact Brian Paulson at 612-340-7601 or brian.paulson@unitedwaytwincities.org.

Less affluent students face mounting college debt challenges

By Michael Grover

As tuition costs continue to rise, saving and paying for college is an increasingly critical issue for families that have one or more members pursuing post-secondary education. The financial consequences of rising college costs on student and family budgets are evident from current statistics. What's more, a number of recent reports confirm that students from low- to moderate-income (LMI) families are more adversely affected by the challenges of saving and paying for college than students from more affluent families. In particular, these reports suggest that students from LMI families rely more on student loans than savings to finance their educations and, consequently, they graduate with comparatively greater student debt burdens than their more affluent peers.

Paying and saving for college, by the numbers

Nationally, two-thirds of all 2010 college graduates left school with student loan debt, and the average amount of debt for those students was $25,250—a 5 percent increase from the previous year.[1] Student loans have now surpassed credit cards as the second-largest category of debt on household balance sheets.[2] The elevated level of student debt comes at a time when there are fewer employment opportunities for recent college graduates than in previous years.[3] The poor labor market for college graduates has likely influenced a recent rise in student loan default rates. (For more on this, see the April 2012 issue of *fedgazette,* the Minneapolis Fed's business and economics newspaper, at www.minneapolisfed.org/publications_papers/fedgazette/index.cfm.)

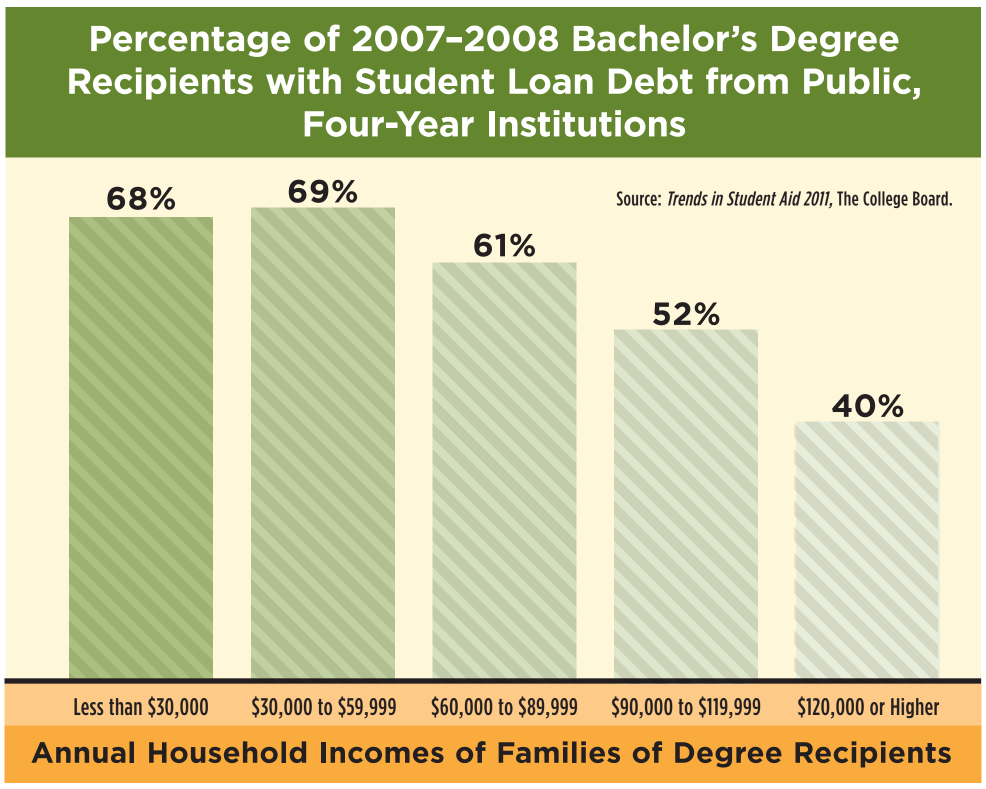
Recent reports confirm what common sense suggests: students from LMI families (i.e., families with household incomes under $60,000) rely on borrowing to finance a larger portion of their college costs compared to students from more affluent families. According to the College Board, 7 out of 10 students from LMI families who earned a four-year degree from a public institution graduated with loans, compared to 4 out of 10 students from families with household incomes above $120,000.[4] (See the graph at right.)

The greater reliance on student loans is due in part to the fact that LMI families have, on average, less savings for college than more affluent families have. For example, the government sponsored education finance agency Sallie Mae reports that families earning less than $35,000 a year had saved, on average, $13,741 for college, while families earning more than $100,000 annually had saved an average of $51,067 for college.[5] With less in savings, LMI families have less money to apply to college costs. According to Sallie Mae, students from LMI families used personal or parental savings to cover 31 percent of college costs, on average. In comparison, among middle- and high-income families, the share of college costs covered by savings was 41 and 53 percent, respectively.[6]

Future implications

Even as unemployment rates fall and the labor market improves, increases in college costs and student debt levels will likely persist. These economic barriers and college funding challenges may also affect the educational attainment rates of students from LMI families. In one recent study, 55 percent of students from families with annual household incomes below $32,000 had not obtained a degree after starting college six years earlier, compared to 32 percent of all students from families with annual household incomes above $92,000.[7]

Some research suggests that these financial challenges may have additional, longer-term effects. One recent study of educational attainment found that, due to credit constraints, college-ready students from low-income families are becoming less likely to attend college than their more affluent counterparts.[8] Given this outlook, making sure that students from LMI families have access to higher education opportunities will remain a challenge. cd



[1] Average 2010 student debt amounts in Ninth District states were: Michigan, $25,675; Minnesota, $29,058; Montana, $22,768; South Dakota, $23,171; and Wisconsin, $24,627. North Dakota data were not available. See *Student Debt and the Class of 2010,* The Project on Student Debt, at www.projectonstudentdebt.org.

[2] Based on data from consumer credit reports, the total debt balance of American households was estimated to be $11.7 trillion in the third quarter of 2011. Residential mortgage debt made up by far the largest share of the household debt balance (72 percent). Student loan debt came in a distant second (7 percent), surpassing credit card and auto loan debt (each at 6 percent). See *Quarterly Report on Household Debt and Credit,* Federal Reserve Bank of New York, November 2011, at www.newyorkfed.org.

[3] For example, as of May 2012, the overall unemployment rate nationally was 8.2 percent, while the rate for 20- to 24-year-olds was 12.9 percent. See *Current Population Survey,* Bureau of Labor Statistics. Available at www.bls.gov.

[4] *Trends in Student Aid 2011,* The College Board. Available at www.collegeboard.org.

[5] *How America Saves for College 2010,* Sallie Mae. Available at www.salliemae.com.

[6] Ibid.

[7] *Persistence and Attainment of 2003–04 Beginning Postsecondary Students: After 6 Years,* National Center for Education Statistics, U.S. Department of Education, December 2010.

[8] Lance Lochner and Alexander Monge-Naranjo, *The Nature of Credit Constraints and Human Capital,* National Bureau of Economic Research Working Paper No. 13912, April 2008.

CommunityDividend

News and Notes

Call for Papers

The Community Affairs Officers of the Federal Reserve System invite paper submissions for **Resilience and Rebuilding for Low-Income Communities: Research to Inform Policy and Practice**, the eighth biennial Federal Reserve community development research conference, to be held April 11–13, 2013, in Washington, D.C. Core discussion topics are:

- The community development finance field after the Great Recession;
- Housing markets and neighborhood stabilization;
- Asset building and community resilience;
- Access to credit and financial services for consumers and small businesses;
- Poverty and inequality;
- Place-based community and economic development; and
- Demographic change, human capital, and workforce development.

Papers that fit the underlying conference theme but fall outside of these topic areas will also be considered. To submit a completed paper (preferred) or detailed abstract, e-mail Karen Leone de Nie of the Federal Reserve Bank of Atlanta at karen.leondenie@atl.frb.org by September 15, 2012. To read the full version of this call for papers, visit www.frbatlanta.org/documents/commdev/research_conf_2013_call_for_papers.pdf.

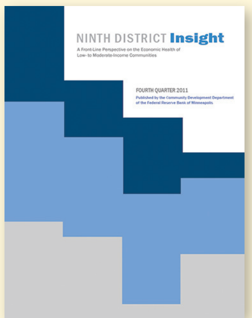
Fed releases report on economic development in Indian Country

The Board of Governors of the Federal Reserve System (Board) has published a new resource to inform economic development efforts in Native American communities. *Growing Economies in Indian Country: Taking Stock of Progress and Partnerships* is a summary report of findings from the 2011 Growing Economies in Indian Country workshop series, which was sponsored by the Federal Reserve Bank of Minneapolis, the Board, and multiple partner agencies. The six-part workshop series explored challenges, recommendations, and promising efforts for economic development in Indian Country. It culminated in an event titled Growing Economies in Indian Country: A National Summit, which was held on May 1, 2012, in Washington, D.C. (Video of the summit sessions is available at www.ustream.tv/recorded/22266186.)

The summary report contains a comprehensive catalog of the challenges affecting economic and business development in Native communities, followed by a list of recommendations for addressing the identified challenges. The recommendations are organized by stakeholder group (tribal governments, federal agencies, lenders, etc.) and include examples of specific initiatives, approaches, and best practices that are working in Indian Country. To download the report, visit www.minneapolisfed.org/indiancountry/#articles.

Ninth District community conditions are mixed, Minneapolis Fed report finds

Community conditions in the Ninth Federal Reserve District show a mixture of deterioration and improvement, according to the latest *Ninth District Insight* report from the Federal Reserve Bank of Minneapolis. *Ninth District Insight* is a series of semiannual reports designed to provide a frontline perspective on the economic health of low- to moderate-income (LMI) communities. Each report is based on the findings of an online survey of organizations that play a critical role in community development and stabilization. The survey's questions ask respondents to assess how their communities are faring in 14 key areas related to employment, housing, financial, and business conditions. The latest report, which reflects survey responses collected from 363 organizations in the fourth quarter of 2011, indicates that overall economic conditions in LMI communities in the Ninth District are deteriorating, but show less overall deterioration than they did six months earlier. The report also reveals some signs of improvement in pockets of the Ninth District, such as fewer bankruptcies and more business openings and employment opportunities. To read the *Ninth District Insight: Fourth Quarter 2011* report, visit www.minneapolisfed.org/publications_papers/ci/index.cfm.



Citi Foundation awards entrepreneurship grant to SDIBA

Citi Foundation has awarded the South Dakota Indian Business Alliance (SDIBA) a $141,000 grant to promote Native entrepreneurship. The grant will be used to establish SDIBA's Expanding Native Entrepreneurship Initiative (ENEI), which is designed to support the development of independent Native-owned businesses on the nine American Indian reservations in South Dakota. SDIBA, founded in 2007, is a coalition of tribal representatives, business owners, nonprofit organizations, state agencies, and other interested parties that works to cultivate effective and efficient business environments in South Dakota's Indian Country.

The ENEI will create a statewide loan fund to provide microloans and technical assistance to aspiring Native entrepreneurs. The initiative's services will be delivered by SDIBA members and the three certified Native community development institutions, or CDFIs, in South Dakota: Four Bands Community Fund on the Cheyenne River Reservation, Hunkpati Investments on the Crow Creek Reservation, and Lakota Funds on the Pine Ridge Reservation. The three Native CDFIs typically focus on their home reservations, but plan to extend their geographic reach in order to provide ENEI loans and services to all nine reservations in the state.

Calendar

The Future of Workforce Development: Where Research Meets Practice

September 19–20, Kansas City, Mo.

Join leading practitioners, researchers, and policymakers to explore what's driving changes in workforce development. Featuring discussions on the changing nature of work, serving the chronically unemployed, workforce intelligence systems, and more. Sponsored by the Federal Reserve Banks of Kansas City and Atlanta.
www.kcfed.org/community/conferences/workforce

28th Annual Conference on Policy Analysis

October 10, St. Paul, Minn.

An opportunity to explore timely topics that reflect the importance of analysis in creating partnerships and formulating public policy decisions in government. Sponsored by University of Minnesota College of Continuing Education, Economic Resource Group, University of Minnesota Center for Urban and Regional Affairs, Hamline University School of Business, and University of Minnesota Hubert H. Humphrey School of Public Affairs. To register, call 612-625-2900; for program questions, e-mail cceconf5@umn.edu.

Building Tribal Legal Infrastructure in Indian Country

Secured transactions codes are a crucial part of an economy's legal infrastructure, as they establish the rules for an important type of lending that facilitates business development. The events below will examine these commercial codes and explore useful resources for American Indian tribes that seek to enact secured transactions laws. Tribal leadership and economic development staff, tribal attorneys and judges, Native business owners, community development entities, and commercial lenders are encouraged to attend.

Tribal Secured Transactions Codes: Addressing Barriers to Business and Consumer Credit in Native Communities. A live, online-only webinar, streamed in two-hour installments (1:00–3:00 p.m. CDT) on consecutive days. Part One: August 22; Part Two: August 23. Sponsored by First Nations Oweesta Corporation and the Federal Reserve Bank of Minneapolis. **www.oweesta.org**

Uniform Commercial Codes: Bringing Business to Indian Country. A daylong, hands-on workshop. September 27, Mandan, N.D. Sponsored by the U.S. Small Business Administration and the Federal Reserve Banks of Minneapolis and San Francisco.
www.frbsf.org/community/resources/events.html