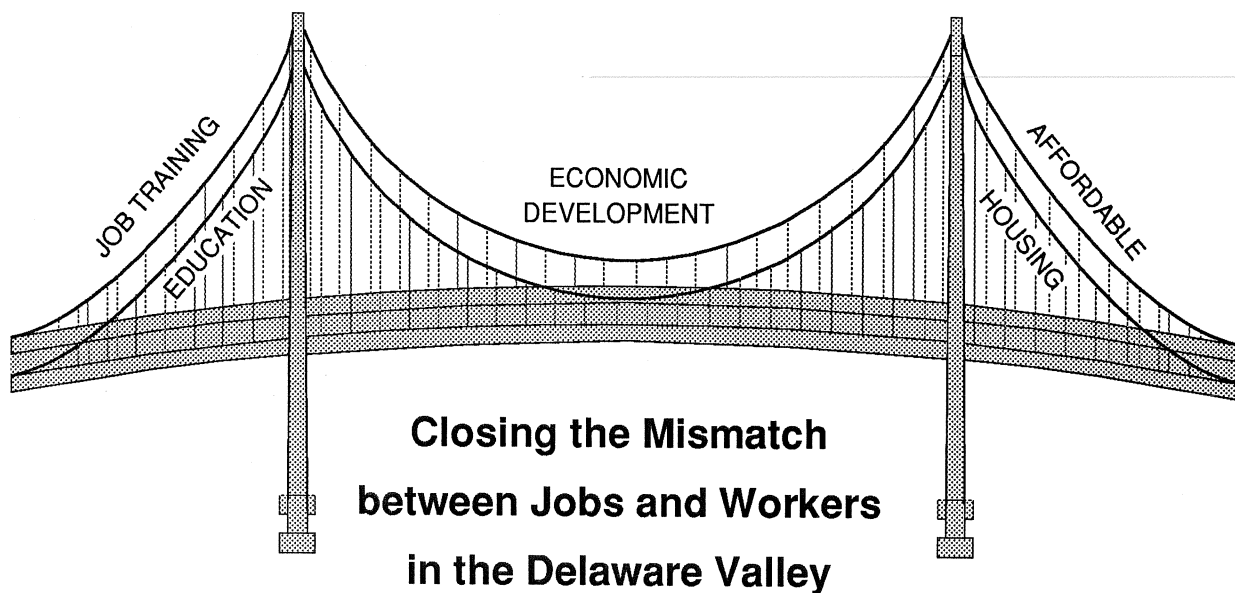


BRIDGING THE GAP



DELAWARE VALLEY REGIONAL PLANNING COMMISSION

OCTOBER 1992

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CLOSING THE MISMATCH BETWEEN JOBS AND WORKERS IN THE DELAWARE VALLEY

PREPARED BY:



DELAWARE VALLEY REGIONAL PLANNING COMMISSION

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OCTOBER 1992

"THIS REPORT IS PRINTED ON RECYCLED PAPER"

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Created in 1965, the Delaware Valley Regional Planning Commission (DVRPC) is an interstate, intercounty and intercity agency which provides continuing, comprehensive and coordinated planning for the orderly growth and development of the Delaware Valley region. The region includes Bucks, Chester, Delaware, and Montgomery counties as well as the City of Philadelphia in Pennsylvania and Burlington, Camden, Gloucester, and Mercer counties in New Jersey. The Commission is an advisory agency which divides its planning and service functions between the Office of the Executive Director, the Office of Public Affairs, and three line Divisions: Transportation Planning, Regional Information Services Center, which includes Regional Planning Office, and Finance and Administration. DVRPC's mission for the 1990s is to emphasize technical assistance and services and to conduct high priority studies for member state and local governments, while determining and meeting the needs of the private sector.



The DVRPC logo is adapted from the official seal of the Commission and is designed as a stylized image of the Delaware Valley. The outer ring symbolizes the region as a whole while the diagonal bar signifies the Delaware River flowing through it. The two adjoining crescents represent the Commonwealth of Pennsylvania and the State of New Jersey. The logo combines these elements to depict the areas served by DVRPC.

DELAWARE VALLEY REGIONAL PLANNING COMMISSION

Publication Abstract

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ABSTRACT

This report explores the relationship between employment opportunities and the labor force of the Delaware Valley in terms of the location and types of jobs available and the skills and characteristics of the existing and emerging labor force. A variety of initiatives are presented to address the jobs-workers mismatch, including training and educational programs, affordable housing efforts, and economic development policies to create new jobs.

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EXECUTIVE SUMMARY

INTRODUCTION

This report is about building bridges: bridges that can support a strong regional economy and close the gap between employers' needs and the skills and characteristics of the available labor force in the Delaware Valley.

The mismatch between jobs and workers is an issue which has received an increasing amount of attention in recent years. As the population ages, employment opportunities change, and the regional development pattern shifts, it becomes increasingly difficult to ensure a regional labor force that can meet the needs of the regional economy.

A 1991 study by DVRPC, *"The Mismatch Between Jobs And Workers In the Delaware Valley,"* documented many of these conditions. Over the past 20 years, the Delaware Valley has witnessed a dramatic economic and physical transformation. While the City of Philadelphia has lost over 100,000 jobs during this period, the surrounding eight suburban counties of the Delaware Valley have collectively gained over 600,000 jobs. This period has also seen a significant shift in the structure and operation of the local economy. In 1970, manufacturing jobs accounted for almost 30% of the region's total employment while services accounted for 19%. By 1990, however, manufacturing jobs accounted for only 15% of the region's employment while service sector employment had risen to over 30%.

This two-fold change — in the location and nature of available jobs — is at the root of the jobs-workers mismatch. Suburban employers are unable to tap Philadelphia's extensive labor supply because of the length and expense of the commute, and the general lack of public transportation. The lack of affordable suburban housing has limited the ability of many workers to relocate to the areas of job opportunities.

New jobs also require that workers demonstrate proficiency in basic skills. The change in emphasis from a manufacturing to service-based economy has created a greater demand for employees who have mastered basic english, math, communication and problem-solving skills. Many technical skills from an earlier age are no longer applicable. Schools and job training programs are now challenged to identify emerging job requirements and develop the curriculum and training needed to educate the future work force. The region is further challenged by its changing demographic profile, characterized by an aging of the population, resulting in fewer young entry-level workers to fill these jobs.

STUDY PURPOSE

The relationship between the regional labor force and regional employment opportunities is complex, involving issues of education, training, housing, transportation and economic development policy. Bridging the gap between jobs and workers will require an approach

which addresses the root causes as well as the symptoms of the problem. Such an initiative would include:

- Training and educational programs which ensure that the existing skills of local residents match the needs of prospective employers, including improvements in basic skills and overall job readiness;
- Programs to allow and encourage the construction of houses and apartments which are affordable and desirable to workers, particularly entry-level workers, in job-rich areas; and
- Programs designed to attract and retain companies whose needs match local skills and qualifications in areas with an existing labor force and affordable housing.

This report examines these issues and identifies specific recommendations to bridge the gaps in education, housing and location.

STUDY FINDINGS

- ▶ The Delaware Valley has a higher percentage of high school and college graduates than the national average, and has more colleges and universities than Boston and Baltimore combined. However, urban high schools show a much higher drop-out rate and much lower test scores than the state or national averages.
- ▶ Spending more money on education is not necessarily the answer, unless those resources are targeted better. Nationally, the United States spends a higher percentage of its gross domestic product on education than all but one of 15 industrialized nations, but performs worse than all but one of those countries on standardized tests. Locally, both Pennsylvania and New Jersey exceed the national per capita expenditures for elementary and secondary education but perform below the national average on SAT scores.
- ▶ The types and skill requirements of jobs in the future will continue to change. Machine operators or assemblers will be scarce, replaced by a demand for paralegals, medical assistants and data processors. While 22% of all jobs currently require a college degree, 33% will require a college degree in 2000. Almost half of all new jobs, however, will require only a high school degree, but even these jobs will demand a higher level of basic skills such as math, english and overall job-readiness.
- ▶ Although regional employers view the economic climate of the Delaware Valley as positive, many have had difficulty in hiring staff, due primarily to poor

applicant quality and lack of adequate skills. The primary skills identified by regional employers as required for their businesses are a responsible attitude and behavior, a positive work ethic, basic math, basic reading, and communications. Interestingly, these are also the skills identified in a survey of regional employers as those skills most often lacking in current applicants.

RECOMMENDATIONS

Education

- ★ *Focus school curriculums on teaching the basic skills and problem-solving abilities that can be transferred to workplace. Nurture personal qualities such as responsibility, self-esteem and integrity and link education to necessary social services. National standards for competency coupled with standardized testing and certification would provide employers with more confidence in the work force.*
- ★ *Provide opportunities for the practical application of skills in apprenticeship and internship programs. Encourage business/school partnerships for classroom training, apprenticeships, curriculum development and skill development.*
- ★ *Support vocational training as an attractive and interesting option for students, and keep abreast of new employment opportunities and new job skill needs to provide relevant training.*
- ★ *Encourage experimentation and school reform to explore alternative approaches to education. Integrate the public and private efforts to create the work force of the future.*

Job Training

- ★ *Improve coordination and collaboration among the various state and federal job training programs. Maintain outreach to all sectors of the business community to identify current and emerging training needs.*
- ★ *Link job training programs to welfare reform and economic development efforts to train and educate people off of welfare and to create new employment opportunities.*
- ★ *Increase funding for job training programs; current programs reach less than 1% of the labor force. Provide customized training to meet specific facility or area needs for displaced workers and to upgrade skills of existing workers.*

Housing

- ★ *Revise local zoning policy to permit higher density residential development in areas with adequate infrastructure. Streamline review procedures or reduce fees for affordable housing projects and encourage the construction of dedicated affordable housing by providing density bonuses to developers.*
- ★ *Encourage mixed-use development to provide opportunities to live closer to work. Allow alternative housing arrangements such as shared housing, accessory apartments, or conversions from commercial to residential.*
- ★ *Consider the mandatory municipal provision of affordable housing and the imposition of housing impact fees on non-residential projects, now utilized in New Jersey, for use in Pennsylvania.*
- ★ *Establish employer-assisted housing programs, such as group mortgages or mortgage insurance, closing cost assistance, downpayment loans, site subsidies, construction financing, or purchase guarantees for housing developers.*

Economic Development

- ★ *Utilize all available local, state and federal programs, such as Community Development Block Grants, Small Business Administration loans and other programs for business expansion, developing land resources, attracting new businesses and managing special projects.*
- ★ *Create urban enterprise zones as tax incentives, coupled with targeted efforts to improve police and sanitation services, safety and the image of the area.*
- ★ *Link job training, education and human services with economic development efforts to meet the needs of the local labor force.*
- ★ *Improve the coordination among various programs and the overall marketing of program availability.*

CHAPTER I

INTRODUCTION

In 1991, DVRPC completed the first phase of its project entitled "The Mismatch Between Jobs and Workers in the Delaware Valley". A mismatch between jobs and labor occurs when existing jobs cannot be filled by the available labor pool, either because of the employment location or the skill requirements of the job. If available jobs are not physically accessible to the majority of the regional labor pool, or if workers' skills are inadequate for regional employers, the region may be faced with increasing unemployment, lower productivity, increased social service costs and a weakened economy.

The initial study documented the growing imbalance between where employment opportunities are concentrated in the region and where potential employees can afford to live. Additionally, DVRPC's 1991 report discussed the potential mismatch between the job skills needed by prospective employers in the region and the capabilities and skill levels exhibited by the region's work force. This report further explores the mismatch between jobs and workers in the region, and discusses various programs and policies which could resolve the existing imbalance.

CAUSES OF THE MISMATCH

Over the last several decades, the regional population and employment base has decentralized. Since 1970, the City of Philadelphia has lost both population and jobs while the suburban counties realized gains in both population and employment. Between 1980 and 1990, for example, the City of Philadelphia lost approximately 100,000 people and 1,000 jobs, while the eight suburban counties gained over 260,000 people and 400,000 jobs¹. Within the Philadelphia PMSA (which includes all suburban counties within the DVRPC region except Mercer County), between 1980 and 1990 the population grew by 8% outside of Philadelphia but declined by 6.1% within the City; within the Trenton PMSA, the population of the City of Trenton declined by 3.7%, while the population of the surrounding suburban county increased by 9.9%.²

The decentralization of employment has contributed to a growing imbalance between the location of most jobs and prospective employees. One means of quantifying a mismatch between the location of jobs and the labor force involves determining the ratio of jobs to resident households. Given that many households are now supported by more than one

¹Delaware Valley Regional Planning Commission, *"The Mismatch Between Jobs and Workers in the Delaware Valley,"* July, 1991.

²State and Metropolitan Area Data Book, 1991. Fourth Edition.

worker, a jobs/households ratio of between 1.4 and 1.6 (meaning that there are 14 to 16 jobs per each 10 resident households) is considered to be a reasonable indication of a balanced community, where many of the jobs can be filled by local residents. In suburban counties which have experienced rapid employment growth in recent decades current and projected jobs/households ratios indicate a mismatch between the location of employment opportunities and the location of the population, and hence the work force. Figure I illustrates the 1990 ratio between jobs and households in the Delaware Valley. The 1990 jobs/households ratio exceeded 1.6 in both Montgomery and Mercer County, and was higher in five suburban counties (Montgomery, Mercer, Chester, Burlington and Camden) than it was in the City of Philadelphia. This trend is expected to generally continue through the year 2020, although the City of Philadelphia is forecast to gain employment while continuing to lose population, thus improving its jobs/household ratio (see Table 1).

Within the Delaware Valley region, specific areas can be identified where a physical mismatch between jobs and workers exists. These include urban population centers which contain an affordable housing stock but lack jobs (particularly entry-level jobs appropriate for the resident work force) and suburban employment centers which lack a resident labor pool due to a lack of local affordable housing opportunities.

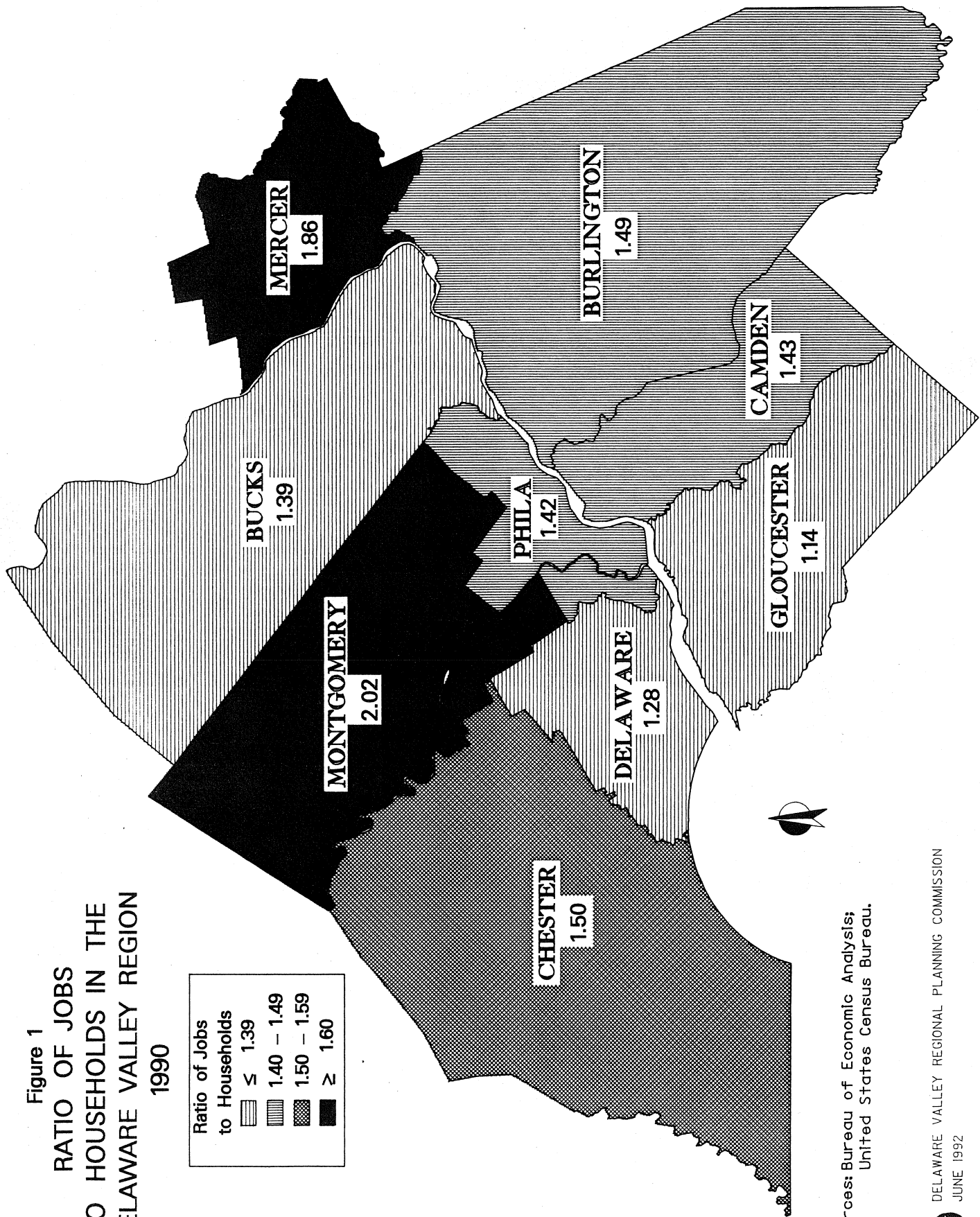
A BALANCE BETWEEN JOBS AND HOUSING

As discussed in DVRPC's 1991 report, the mismatch between jobs and workers in a region is complex, related to the physical location of jobs and the labor force, the transportation network, the affordability of housing at various locations, the educational system, training programs and social services. Continuation of the mismatch will pose serious social and economic challenges for the region.

A lack of affordable housing near suburban employment centers primarily affects entry-level and technical workers who, unable to locate affordable for-sale or rental housing close to work, must commute long distances to their job site. This situation limits employee effectiveness and productivity, contributes to high turnover rates and absenteeism, increases traffic congestion and lowers air quality levels throughout the region.

The mismatch between employment centers and affordable housing opportunities is exacerbated by a transit system designed to move people from suburban residential areas into urban employment centers, rather than city-to-suburb or intra-suburban trips. A DVRPC study on affordable housing within the region determined that while affordable housing is available in many sections of Philadelphia, the suburban municipalities where a median-priced home is affordable to a median income family are generally not located near

Figure 1
 RATIO OF JOBS
 TO HOUSEHOLDS IN THE
 DELAWARE VALLEY REGION
 1990



Sources: Bureau of Economic Analysis;
 United States Census Bureau.

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JUNE 1992



TABLE 1

REGIONAL JOBS TO HOUSEHOLDS RATIOS

1990-2020

	1990 Population	1990 Households	1990 Jobs	1990 Jobs/ Households Ratio	2020 Forecasted Population	2020 Forecasted Households	2020 Forecasted Jobs	2020 Jobs/ Households Ratio
BUCKS	541,174	190,507	265,849	1.39	680,896	252,184	335,107	1.33
CHESTER	376,396	133,257	200,221	1.50	489,300	181,222	264,024	1.46
DELAWARE	547,651	201,374	258,518	1.28	548,981	203,326	287,719	1.42
MONTGOMERY	678,111	254,995	514,154	2.02	759,070	291,950	622,826	2.13
PHILADELPHIA	1,585,577	603,075	854,136	1.42	1,509,154	580,443	951,164	1.64
PA COUNTIES	3,728,909	1,383,208	2,092,878	1.51	3,987,401	1,509,125	2,460,840	1.63
BURLINGTON	395,066	136,554	203,506	1.49	471,039	168,228	253,869	1.51
CAMDEN	502,824	178,758	255,233	1.43	588,962	218,134	294,488	1.35
GLOUCESTER	230,082	78,845	89,910	1.14	314,971	108,610	121,857	1.12
MERCER	325,824	116,941	217,045	1.86	388,452	138,733	264,257	1.91
NJ COUNTIES	1,453,796	511,098	765,694	1.50	1,763,424	633,705	934,471	1.47
DVRPC REGION	5,182,705	1,894,306	2,858,572	1.51	5,750,825	2,142,830	3,395,312	1.59

Source: DVRPC, "Year 2020 Population and Employment Forecasts, DVRPC Region and Nine Counties," Adopted May 28, 1992
 2020 Projected Households based on declining household size forecasted in DVRPC's "Regional Mobility Policy Analysis," January 1990



DELAWARE VALLEY REGIONAL PLANNING COMMISSION, JUNE 1992

major employment centers nor linked to employment centers by efficient mass transit service.³

An obvious benefit of balancing jobs and housing opportunities is an improvement in local transportation patterns, including reduced congestion, rationalized commuting patterns, more walking trips and fewer or shorter motorized trips, resulting in reduced energy consumption and improved air quality, a critical issue given the mandates of the Clean Air Act currently facing the region. A balanced residential and employment base also promotes social equity, since it expands housing and employment opportunities for poorer inner-city residents often isolated from jobs appropriate for their skill levels, even when located within the city. Finally, balancing the location of qualified workers with the location and needs of prospective employers promotes economic growth in the region, since it enables employers to readily fill entry-level, semi-skilled and professional positions.

WORKER SKILLS AND THE NEEDS OF EMPLOYERS

To effectively balance jobs and housing, however, a reasonable share of the jobs must actually be filled by local residents. Consideration must be given, therefore, to a match-up between both the earnings of local workers and the cost of local housing, and between the skills of local residents and the job skills required for local employment opportunities.

Over the last thirty years, the structure and operation of the American economy has changed significantly. The decrease in the number of traditional manufacturing jobs, the increase in the number of high-tech jobs, the rise of the service economy, and the globalization of commerce and industry have brought about changes in the types of employment opportunities available in the United States. These new jobs will in turn require a reshaping of the qualities and skills required of the American worker.

Today's high-tech factories, for example, require a different set of skills than yesterday's assembly line. Manufacturing workers must handle complex computerized machinery, frequently modify their assignments and constantly monitor the performance of their equipment, thus requiring more flexibility and the need for analytical and problem-solving abilities.

Within the Delaware Valley region, manufacturing jobs accounted for 29.1% of the region's total employment in 1970, and services accounted for 19.4%. By 1990, however, manufacturing jobs accounted for only 15.6% of the regions's employment, while service sector employment had risen to 30.5%. This trend is expected to continue through the year

³Delaware Valley Regional Planning Commission, *"Homeownership: A Vanishing Dream?"*, September, 1990.

2010, when manufacturing is projected to have declined to 12.8% of the region's employment and services are expected to account for 33.1%.⁴

This decline in manufacturing employment and rise of service-sector businesses has changed the locational focus of job growth in the region away from major railroad corridors and the rivers and towards areas with highway access, large tracts of available land and convenient access to both a labor force and available markets. The emerging service economy also requires changes in the occupational requirements of workers, creating a greater demand for employees who have mastered basic english, math and communication skills, as opposed to the technical skills previously required by the manufacturing sector.

Some experts maintain that changing workplace technology has brought the deficiencies of the American schools into sharper focus. Students trained under a non-college or vocational curriculum designed for an earlier industrial economy have not been taught these new skills and have not adapted well to current job requirements. In a recent poll by the National Association of Business, only 36% of the 1,200 respondents indicated that they were satisfied with the competencies of the current work force.⁵ Employers both locally and nationally complain that their employees have not mastered basic english and math. Job readiness skills, such as punctuality, proper grooming and good speaking skills also appear to be lacking. Employers generally agree that employees are less qualified today than they were five years ago.

The groups most apt to present problems to employers are adult workers with low literacy skills, high school drop-outs lacking basic skills, and high school graduates with poor basic skills and little occupational experience. Upgrading the skills of these workers is the primary focus of this report. In a manufacturing economy, these workers would typically fill lower skilled positions and function adequately. However, in a service economy, employees are required to demonstrate a higher mastery of basic skill — even in entry level and low skilled occupations. Failure to address these skill deficiencies will render portions of the population unemployable.

A national study recently indicated that many American teenagers do not possess the basic skills necessary to enter the work force.⁶ Other studies have indicated that prospective employees, particularly for entry-level jobs, do not possess a basic work ethic and are lacking in either occupational or basic skills (including math, english and communications). Regional research conducted for the Urban Affairs Partnership and the Greater Philadelphia

⁴Delaware Valley Regional Planning Commission, *"Year 2020 Population and Employment Forecasts: DVRPC Region and Nine Counties,"* May, 1992.

⁵The Washington Post, *"Better Education, Better Business,"* November 21, 1991.

⁶The Philadelphia Inquirer, *"50% Of Teens Not Ready For Work U.S. Panel Says,"* July 3, 1991.

Economic Development Coalition in 1989 determined that area employers seek job applicants with a responsible attitude and responsibility towards work and an ability to learn and solve problems⁷. A survey administered as a part of that study indicated that future successful job applicants will be expected to have a responsible attitude and work ethic; be proficient in math, reading and english; and possess some level of computer or technical ability.

LOCAL EMPLOYERS OPINIONS AND NEEDS: DVRPC'S SURVEY RESULTS

In the Spring of 1992, the DVRPC surveyed a random sampling of businesses located throughout the Delaware Valley region. The sample included businesses of various sizes and types. One hundred firms were surveyed and 25 firms responded. A copy of the survey form is included in Appendix A. Of those responding, the majority were service sector or manufacturing firms, along with a few construction companies and retail businesses.

Several previous studies had documented the problems facing employers in attracting and retaining a qualified work force. The purpose of this survey was to determine whether the needs and problems faced by regional businesses were similar to those needs and problems identified in previous studies, given the changing regional and national economic climate, and to determine how regional employers view the Delaware Valley economy as compared to other regions. Despite the relatively small sample size, some interesting results were achieved.

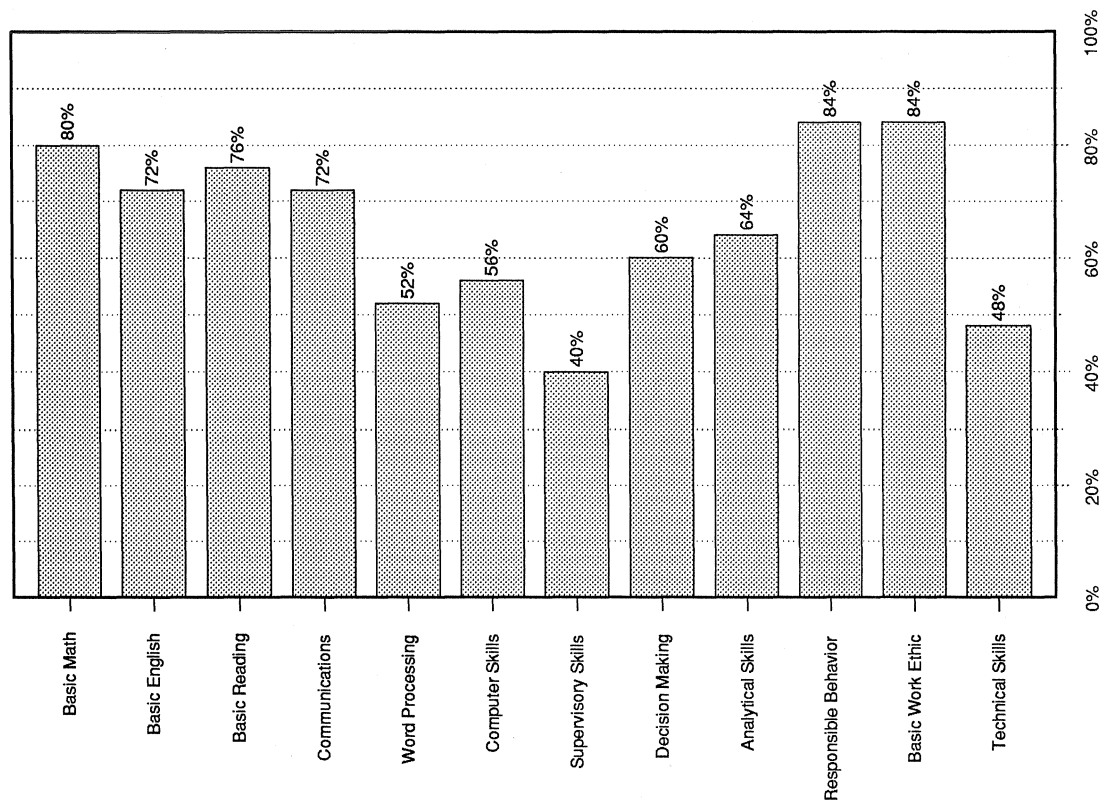
Of those companies that responded to the survey, most view the economic climate in the Delaware Valley as the same or better than the climate in other major East Coast cities. Two-thirds of the survey's respondents predicted that their firms would remain in the region if forced to relocate, although most would choose a suburban location rather than the City of Philadelphia. In most cases, including those in Philadelphia, firms stated that they would relocate within the same county in which they were currently located or in close proximity, probably because of a desire to maintain the same client base.

Many of the respondents have experienced difficulty in hiring staff at some level; ten employers stated that they have experienced difficulties in recruiting people with adequate technical skills. Of those firms which stated that they had difficulties in recruiting employees, the majority believe that poor applicant quality is to blame; others think that too few qualified applicants apply or believe that they can't offer appropriate salaries or wages, which may reflect high commuting costs or housing costs faced by potential applicants. Over half of the respondents felt that job applicants today are generally of lower quality than they were five years ago, while only 1 survey respondent indicated that job applicants are more qualified than they had been previously.

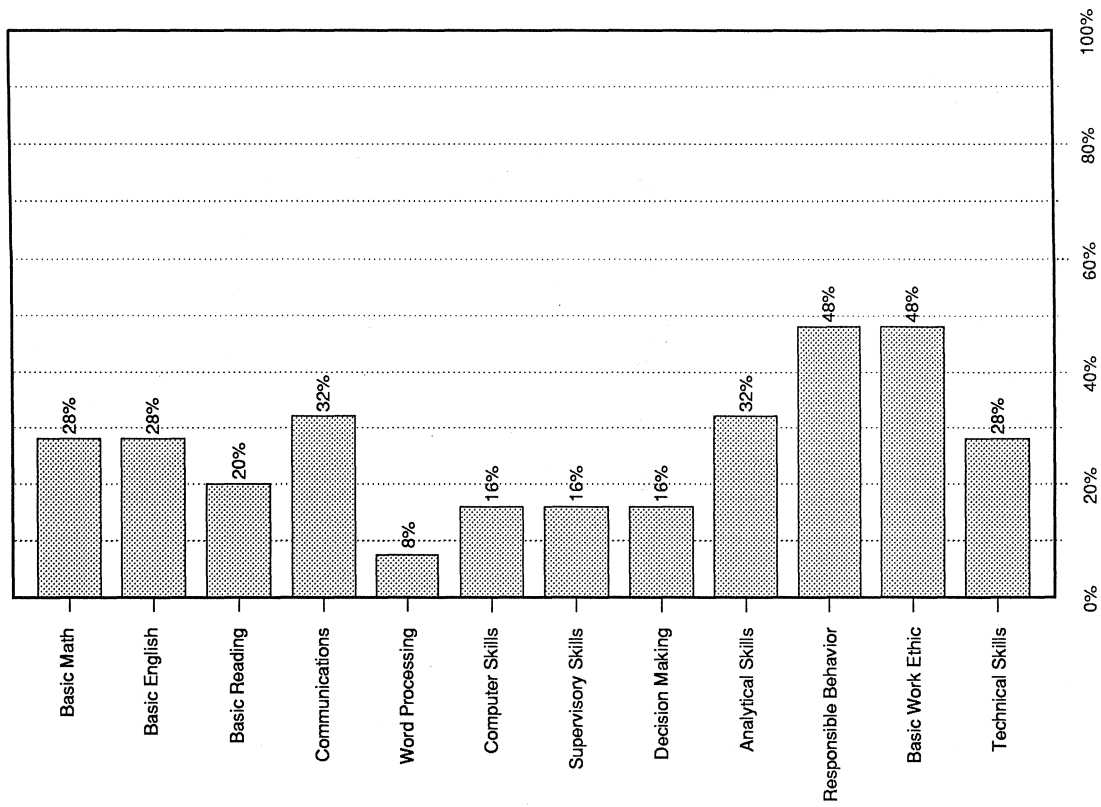
⁷The Urban Affairs Partnership and Greater Philadelphia Economic Development Coalition, *"Keeping The Competitive Edge,"* 1989.

Figure II

**SKILLS MOST OFTEN REQUIRED
BY BUSINESSES**



**SKILLS MOST OFTEN LACKING
IN APPLICANTS**



Note: Percent Affirmative Responses to
DVRPC Survey conducted Spring, 1992.



Delaware Valley Regional Planning Commission
October 1992

Employers identified a responsible attitude and behavior, a basic work ethic, basic math, basic reading, basic english and computer skills as those skills most often required in their businesses. These same employers also identified these skills as those that are often lacking in potential applicants. Figure II illustrates the strong similarities between skills identified as required and skills identified as lacking in prospective applicants.

Most employers responding to the survey are satisfied with area training programs, although seven of the twenty-five respondents failed to answer this question, perhaps indicating that they are unaware of available programs or otherwise do not take advantage of them. Responses on the types of benefits offered varied based on the size and type of the firm. Notably, none of those responding offer day-care assistance (a disincentive for single parents or dual-working couples, who constitute a large proportion of the available work force) and only three employers offer any kind of housing assistance, most often in the form of relocation assistance for middle and upper-level management staff. The majority of the respondents offer job training programs and some form of educational reimbursement.

In summary, most firms responding to the survey view the regional economic climate as no worse than that of other major East Coast cities. The majority have found it difficult to recruit qualified applicants at some level, especially for those positions requiring technical skills. It appears that many skills often lacking in job applicants are not skills which are taught in traditional job training programs, but instead should have been instilled at the primary and secondary education levels or within the home environment (such as a basic work ethic and responsible behavior). Despite the relatively small sample size, the recent DVRPC survey illustrates that problems facing regional employers remain essentially the same as those documented in studies conducted within the past few years, despite changing economic conditions. It also demonstrates that employers view the lack of necessary skills as a more critical regional issue than the lack of affordable housing opportunities or a lack of transportation to the job site.

THE PURPOSE OF THIS REPORT

The mismatch between jobs and workers is a multi-faceted problem which will require a multi-faceted response. Issues of education, training, housing, transportation and economic development policy are all causes of the problem and must therefore all be a part of the solution.

The jobs-workers mismatch is most prominent among the employees who will fill entry level and low skill occupations — jobs that are critical for businesses to function effectively. Continued decline in the skills of the workers who staff these positions will have a profound impact on the economy of the Delaware Valley.

Bridging the gap between the available jobs and these workers will require an approach which addresses the root causes as well as the symptoms of the problem. Such an initiative would include: (a) training and educational programs which ensure that the existing skills

of local residents match the needs of prospective employers, including improvements in basic skills as well as overall job readiness; (b) programs to allow and encourage the construction of houses and apartments which are affordable and desirable to workers, particularly entry-level workers, in job-rich areas; and (c) programs designed to attract and retain companies whose needs match local skills and qualifications in areas with existing affordable housing.

The current study therefore focuses on three questions which, if resolved, could help alleviate the existing mismatch between the needs and location of the regional employment base and the skills and location of the regional work force:

- ▶ How can we insure that the educational and skill requirements of prospective employers will be met by the regional labor force, particularly basic skills such as reading and math and job-readiness skills such as a basic work ethic?
- ▶ What policies, programs or tools can be used to facilitate production of a full range of affordable housing opportunities in suburban employment centers?
- ▶ What policies or programs could attract appropriate employment into existing large population centers (specifically, the City of Philadelphia)?

Chapter II examines the region's educational performance and compares the Delaware Valley's scores to national and international scores, to understand how our emerging work force compares to the competition. Chapter III focuses on the current work force by reviewing local area training programs that provide assistance to the entry level or dislocated worker. Chapter IV examines the economic development programs designed to bring jobs back into urban areas, while Chapter V explores programs and approaches to create affordable housing opportunities in proximity to suburban employment centers. Finally, Chapter VI considers approaches to improve motivation among students to create the work force of the future.

CHAPTER II

THE REGION'S YOUTH: OUR GREATEST RESOURCE?

Employers are losing confidence in the educational system and its ability to produce students who are competent in basic math and english, are reliable and presentable and can communicate well on the job. Surveys that have been administered locally and nationally draw the same response from employers — today's workers lack the basic competencies that should be expected from a high school education. To explore how the Delaware Valley compares in the national and international arenas, high school completion, drop-out rates and SAT scores are discussed and compared in this section.

High School Graduates

U.S. Census Bureau information for 1980 and 1990 regarding the percentage of the population, 25 years and older, who have completed at least four years of high school appears in Table 2, beginning on page 24. Between 1980 and 1990, the percentage of Pennsylvania and New Jersey residents completing high school increased by 12 percentage points in each state. This improvement exceeds the national increase of 9.4 percent. During this ten year period, both New Jersey and Pennsylvania improved their ranking in terms of percentage of the population completing high school. Pennsylvania moved from being ranked 36th nationally in 1980 to 33rd in 1990. New Jersey increased its standing from 27th in 1980 to 23rd in 1990.

Considered locally within the Delaware Valley region, the results are impressive. Table 3 provides information by county for 1980 and 1990. For both periods, the percentage of Bucks, Chester, Delaware, Montgomery and Burlington County residents who graduated high school exceeded both the state and national percentages. In 1990, the percentage of Gloucester and Mercer County residents completing high school surpassed the national average but remained below the state average. Philadelphia and Camden Counties fell below the state and national averages in both 1980 and 1990.

Drop-out rates are another key measure of the quality of a region's work force, however it is difficult to obtain accurate drop-out figures for the region and make meaningful comparisons among counties. The method of calculating drop-outs varies from state to state and county to county; while some districts identify drop-outs as all students who do not return to school to graduate, others do not include students who leave school before graduation and become employed.

For example, the drop-out rate obtained for Philadelphia from the Pennsylvania Department of Statistics is extremely low at 9.68%, considering that The Philadelphia School Board

reports a drop-out rate of 31.6 percent. For this reason, a comparison of county drop-out rates is not included here, as accurate comparisons are not possible.

Scholastic Aptitude Test (SAT) Scores

SAT scores provide another measure of how well the region's youth are performing, although not all educators feel the SAT is fully representative of performance. Nationally, combined SAT scores have declined ten points from 1986 to 1991 - from a high of 906 in 1986 to 896 in 1991. Both Pennsylvania and New Jersey were below the national average combined SAT score for the period 1986-1991 (see Table 4). For the 18 states in which more than 50% of the students took the test in 1991, (Table 5) New Jersey and Pennsylvania placed 9th and 14th respectively.

The region's performance on the SAT is particularly strong in the suburban Pennsylvania counties, with all counties reporting an average combined score greater than 900 (Table 6). Burlington, Camden and Mercer counties in New Jersey also exceeded state and national averages. Gloucester County's average combined score of 872 was close to, yet below, state and national averages.

SAT performance for the major urban centers within the region, however, is discouraging. During 1991, the combined average SAT score for students in Philadelphia, Chester, Camden and Trenton registered more than 100 points below the state and national averages. The combined average score ranged from a high of 771 in Philadelphia to a low of 630 in Chester (Table 6).

Although Pennsylvania fell below the national average in terms of percentage of population completing high school and consistently produced SAT scores that were below the national average, Pennsylvania's per capita state and local government expenditure for elementary and secondary education exceeded the average national per capita expenditure. Furthermore, New Jersey has successfully graduated a higher than average number of high school and college graduates but still failed to match the average national SAT scores for all years under study. On a per capita basis, the amount of money spent on education in New Jersey ranks seventh among the 50 states (Table 7).

College Graduates

The percentage of residents completing four or more years of college is presented in Table 8. The data indicate that in 1990, New Jersey placed within the top ten states with a high percentage of residents who have completed four or more years of college. Nationally, 21.1% of the population has completed at least four years of college education. In New Jersey, the figure is 25.7 percent. Pennsylvania ranked thirty-first with 18.6% of its population having completed four or more years of college.

Table 9 provides information about completion of college by county. Again, the Delaware Valley region generally compares very favorably to national figures in terms of the educational level of our work force. All Pennsylvania counties, with the exception of Philadelphia, record a higher percentage of their residents as college graduates than the state or national averages. In New Jersey, only Mercer County exceeded both the state and national average and Burlington surpassed the national average but fell below the state's average. Both Camden and Gloucester Counties reported figures below these averages.

The International Arena

The Delaware Valley and other regions in the United States compete not only among themselves but in the global marketplace. It is therefore no longer adequate to only measure the performance of our local youth against other U.S. students. We are reaching a point in history where borders no longer define the limits of the economic marketplace. An effective work force for the Delaware Valley must be measured against not only New York, Atlanta, or Chicago, but against Paris, Geneva and Tokyo. To determine the effectiveness of our work force, our performance comparisons must include an international analysis.

When national test scores for the United States are compared to other countries, the United States ranks near the bottom. Table 10 ranks 15 countries with regard to their high school students' knowledge of math and science. In science, the United States ranked third from the bottom, out-performing only Ireland and Jordan. United States students did even worse when tested in the area of math and scored higher than only one other country — Jordan. For these tests, a random sample of 3,300 students from about 110 schools were selected in each country that participated.⁸ Japan and Germany chose not to participate in the test that produced these rankings, but both countries generally score high on standardized tests.⁹

According to U.S. Secretary of Education Lamar Alexander, the results indicate that the top 10% of the U.S. students are as good in math and sciences as the best students in the world. The remaining 90%, however, are learning below world wide averages.¹⁰ The results are even more surprising when per student expenditure is examined. The U.S. is ranked near the top in terms of per student spending (Table 11) but near the bottom in terms of test scores.

One country that has consistently outperformed the U.S. in recent years in the area of math and science is Japan. The Japanese have also been successful in achieving a literacy rate of

⁸Educational Testing Service, *"Learning Science,"* February 1992.

⁹U.S. News & World Report, *"The Brain Battle,"* January 19, 1987.

¹⁰U.S. Department of Education News, *"Statement By U.S. Secretary Of Education Lamar Alexander Regarding International Comparison Of Student Achievement,"* February 5, 1992.

99 percent, as opposed to the reported illiteracy rate in the United States of 20%.¹¹ The Japanese success is due primarily to the difference in attitudes reflected in the structure of the educational systems. In the United States, programs for the gifted and talented flourish while students who do not meet the criteria to enter such programs are relegated to less demanding programs. In Japan intensive instruction for all students is the key to increased competency. By the time a Japanese student completes high school he has the equivalent of three to four years more schooling than a U.S. student. U.S. students, on the average, spend 180 days a year in the classroom — a full 60 days less than the average number of days spent in the classroom by Japanese students.

Another key aspect of Japanese education is training that allows students to transfer skills from the classroom to the workplace. Training in problem solving and communication is designed to assist students in fitting into the Japanese high performance model of business.

Because quality education is the keystone of a productive work force, the link between the classroom and the workplace is critical. Countries that have incorporated job training into their curriculums have produced not only higher caliber workers but also a more literate work force overall. In the United States, many school systems do not place a priority on training the non-college bound, work oriented student. The educational performance of students who will move directly from high school to the work force is well below the average performance of their counterparts in some newly industrializing low-wage countries.¹²

Countries such as Germany, Denmark and Sweden whose workers have been rated superior to other foreign workers, have all incorporated training for employment into the education process. In these countries, apprenticeship programs provide a bridge from school to the workplace and equip students with job readiness skills which American students must acquire on their own.

In Germany, students begin learning about career opportunities in the seventh grade and, after having been exposed to this information select a college preparatory, academic technical or vocational track. Once students finish their compulsory education at 15 or 16, a significant number enter programs that are designed to prepare them for their profession. Students are required to attend school part time while receiving training from their employers. An apprentice must demonstrate his skills by passing exams that are administered by a board of examiners.

¹¹Arthur Shostak, Applied Sociologist, West Chester University Conference, October 15, 1991.

¹²National Center on Education and The Economy, *"America's Choice: High Skills Or Low Wages!"*, June, 1990.

The system operates so well because it offers benefits to all involved. The employer has a chance to work with the student during the apprenticeship period and familiarize himself with his strengths and abilities before hiring him. The student leaves school with the technical and job readiness skills which will assist him in his career. And schools gain from the prestige of graduating workers with a world class reputation for quality workmanship. Cautions must be taken in such systems, though, to provide opportunities for late-blooming students to move from a technical or vocational track back to an academic program if appropriate.

CONCLUSIONS

The conclusions that can be drawn from the analysis of student's scores and performance are not encouraging. As a nation, the United States is not educating its youth to compete in the international arena. Independent testing confirms that the average performance of students in the United States is among the lowest average performance for industrialized countries. While the top 10% of U.S. high school students are performing at the same level as the world's best, the performance of the remaining 90% of United States students is below the average international math and science score. If the future is in globalization and world markets, we as a nation are not preparing the emerging work force with the skills and competencies to compete.

Considering scores and performance in the United States alone, the results for the Delaware Valley region are very positive. As a whole, this region has a higher percentage of both high school and college graduates than the national average. This may be due in part to the region's strong history of higher education. A recent report compiled by the Greater Philadelphia Economic Development Coalition identified 79 two-year, four year and professional schools in the region that conferred a total of 46,973 degrees in 1990.¹³ It is particularly encouraging to note that almost half of those degrees are in the science, engineering, computer, business and health fields.

While many of these graduates will move on to national or international locations, many will remain in the Delaware Valley providing a highly-educated and motivated work force. The challenge for the United States and Delaware Valley educators is to improve the performance of the majority of the work force — those that are not pursuing post high school education or advanced degrees. In particular, the performance and experiences of students in the region's urban centers must be brought up to the level of their suburban counterparts to create a well-balanced work force for the entire region with the skills and abilities employers need.

¹³Greater Philadelphia Economic Development Coalition, *"Greater Philadelphia Business Guide To Education And Training,"* 1992.

Low high school completion rates and low test scores in inner city schools highlight the disparities in the region. It is unlikely that students who do not complete high school have acquired the skills needed to make it in today's work force. The fact that urban area students perform well below state and national averages on SAT tests indicates that these students are having difficulty mastering math and english -two skill areas which employers have consistently identified as lacking in entry level employees.

RECOMMENDATIONS

The solution to the problem in education must involve a change in attitudes, operations and direction of our schools. The answer is not as simple as spending more money on education, unless these additional resources are targeted at providing the job skills and training needed for today's work force. Currently, the United States spends a higher percentage of its gross domestic product on education than all but one of the 15 countries measured, but still performs worse than all but one of the countries on its math scores. Locally, both Pennsylvania and New Jersey rank in the top 50% of states for per capita expenditures on schools but perform in the bottom 50% of the states on SAT scores.

Many schools are operating according to standards that served them well under a different economy, but are obsolete in today's economy. The school's mission is to graduate students who can use the skills they have acquired to function in society. Mastery of the basics is important as is transmitting the job preparedness skills that will help students function more effectively on the job.

As a first step, schools should take a more integrated approach to training students. Curriculums should focus on teaching basic skills and higher order thinking skills — skills that can be transferred to the workplace. In addition, personal qualities such as responsibility, self-esteem, sociability, self management and integrity should be nurtured to ensure a level of personal development which is essential to becoming a high functioning worker.

School curriculums should reflect national standards for competency which are adjusted for regional differences in industry needs. To determine whether or not students are adequately meeting these competency levels, national tests should be designed to test student achievement. Although the local trend is moving towards testing student competency through performance testing, the utility of this approach is questionable given the strong emphasis on subjective evaluations. Standardized testing of national standards is a more useful indicator of student performance because it allows for an objective comparison of achievement across district, region, and state lines. It also provides an opportunity to craft a system that is responsive to the needs of the non-college bound student. For example, students who attain national standards for competency could be issued certificates of achievement which can be presented to potential employers when they enter the job market. Such certificates are proof that the student has achieved an acceptable basic level of proficiency.

In order to guarantee that students are capable of applying what they have learned, there should be a mechanism for them to test their skills before making their debut as full fledged employees. The practical application of skills in "real world" settings with appropriate feedback allows students to refine their skills in a safe environment. Apprenticeships and internship programs provide opportunities for such application. Chapter VI discusses these programs in greater detail.

Because occupational skills will change as jobs change, schools and businesses should work together to identify skill changes as they relate to new employment opportunities and incorporate them into the school curriculum.

School reform does not imply that schools are entirely to blame for the high number of unskilled workers who are not employable. Schools, however, are in a strategic position to implement programs that will improve future workers skills. Businesses and training programs can also play a key role in this effort.

There are pockets of students and workers within the region, state and nation who do not possess the minimum educational requirements to perform entry level work. Most of these workers are housed in our largest cities. Realizing the consequences of an untrained and unskilled work force, efforts have been undertaken by training organizations, businesses and schools to reverse the decline in workers skills. Chapter III examines the programs and policies in effect in the region that are designed to improve the skills of the current work force, while Chapter VI considers programs designed to prepare the emerging work force.

TABLE 2

**PERCENT OF POPULATION COMPLETING AT LEAST FOUR YEARS
OF HIGH SCHOOL
25 YEARS AND OLDER
1980 AND 1990**

1980			1990		
RANK	STATE	PERCENT	RANK	STATE	PERCENT
1	Alaska	82.5	1	Utah	88.2
2	Utah	80.0	1	Washington	88.2
3	Colorado	78.6	3	Alaska	86.9
4	Wyoming	77.9	4	Wyoming	85.6
5	Washington	77.6	5	Minnesota	85.5
6	Oregon	75.6	6	Nevada	84.0
7	Nevada	75.5	7	Oregon	83.9
8	Montana	74.4	8	Montana	83.6
9	Hawaii	73.8	9	Iowa	83.4
10	Idaho	73.7	10	Colorado	83.2
11	California	73.5	11	Hawaii	82.3
12	Nebraska	73.4	12	Nebraska	82.2
13	Kansas	73.3	12	Kansas	82.2
14	Minnesota	73.1	12	New Hampshire	82.2
15	Arizona	72.4	15	Vermont	81.8
16	New Hampshire	72.3	16	North Dakota	81.1
17	Massachusetts	72.2	16	Wisconsin	81.1
18	Iowa	71.5	18	Delaware	80.7
19	Vermont	71.0	18	Maryland	80.7
20	Connecticut	70.3	18	Massachusetts	80.7
21	Wisconsin	69.6	21	Arizona	80.6
22	New Mexico	68.9	21	Connecticut	80.6
23	Maine	68.7	23	NEW JERSEY	79.4
24	Delaware	68.6	24	California	78.6
25	Michigan	68.0	25	South Dakota	78.3
26	South Dakota	67.9	26	Indiana	78.0
27	NEW JERSEY	67.4	27	Florida	77.9
28	Maryland	67.4	28	Ohio	77.6
29	Ohio	67.0	29	Idaho	77.3
30	Florida	66.7	30	Illinois	77.2
31	Illinois	66.5	31	Michigan	77.0
32	Indiana	66.4	32	Maine	76.9
32	North Dakota	66.4	33	PENNSYLVANIA	76.8
34	New York	66.3	34	New York	76.7
35	Oklahoma	66.0	35	Missouri	75.9
36	PENNSYLVANIA	64.7	36	Oklahoma	75.4
37	Missouri	63.5	37	New Mexico	74.6
NATIONAL AVERAGE		67.5	NATIONAL AVERAGE		76.9

Source: U.S. Census



DELAWARE VALLEY REGIONAL PLANNING COMMISSION, JUNE 1992

TABLE 3

PERCENTAGE OF HIGH SCHOOL GRADUATES

AGE 25 YEARS AND OLDER

1980 AND 1990

DELAWARE VALLEY REGION

	<u>1980</u>	<u>1990</u>
PENNSYLVANIA		
Bucks	74.7	82.9
Chester	77.5	84.9
Delaware	72.3	81.3
Montgomery	75.8	83.8
Philadelphia	54.3	64.3
PENNSYLVANIA AVERAGE	64.7	76.8
NEW JERSEY		
Burlington	74.3	81.9
Camden	65.5	75.5
Gloucester	66.2	77.5
Mercer	67.8	77.1
NEW JERSEY AVERAGE	67.4	79.4
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NATIONAL AVERAGE	67.5	76.9
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Source: Census of Population, U.S. Department of Commerce, Bureau of the Census, 1980 and 1990.



DELAWARE VALLEY REGIONAL PLANNING COMMISSION, JUNE 1992

TABLE 4
SAT SCORES BY STATE
1987 - 1991

STATE	PERCENT GRADUATES TAKING SAT	COMBINED AVERAGE SAT SCORE		
		1987	1989	1991
Alabama	8	993	1,002	991
Alaska	41	924	923	920
Arizona	26	968	952	932
Arkansas	6	1,001	986	1,005
California	47	906	906	897
Colorado	29	980	966	959
Connecticut	81	912	908	897
Delaware	61	910	903	892
Washington D.C.	71	842	846	840
Florida	48	893	887	882
Georgia	62	840	847	844
Hawaii	55	881	888	883
Idaho	18	975	965	968
Illinois	16	984	982	1,006
Indiana	57	874	871	865
Iowa	5	1,087	1,084	1,093
Kansas	10	1,045	1,040	1039
Kentucky	11	998	995	993
Louisiana	9	982	986	994
Maine	64	899	897	879
Maryland	64	914	914	904
Massachusetts	79	909	905	896
Michigan	11	972	972	980
Minnesota	12	1,003	1,008	1,023
Mississippi	4	1,008	988	997

CONTINUED

TABLE 4 — CONTINUED

STATE	PERCENT GRADUATES TAKING SAT	COMBINED AVERAGE SAT SCORE		
		1987	1989	1991
Missouri	12	992	989	1,002
Montana	22	1,009	992	982
Nebraska	10	1,033	1,030	1,024
Nevada	25	923	926	919
New Hampshire	75	938	932	921
NEW JERSEY	74	892	894	886
New Mexico	12	1,009	1,015	996
New York	75	894	890	881
North Carolina	57	838	836	884
North Dakota	6	1,067	1,067	1,073
Ohio	22	954	948	946
Oklahoma	9	1,006	1,001	997
Oregon	54	928	927	922
PENNSYLVANIA	67	891	886	876
Rhode Island	67	898	895	880
South Carolina	58	832	838	832
South Dakota	5	1,076	1,041	1,047
Tennessee	12	1,011	1,009	1,015
Texas	44	875	877	874
Utah	5	1,043	1,036	1,031
Vermont	68	914	905	890
Virginia	60	907	902	890
Washington	49	951	939	913
West Virginia	17	954	939	926
Wisconsin	11	1,009	1,013	1,023
Wyoming	13	1,016	978	980
NATIONAL AVERAGE		906	903	896



TABLE 5**STATE RANKING OF COMBINED 1991 SAT SCORES***

RANKING	STATE	VERBAL	MATH	COMBINED	PERCENT TAKING
1	Oregon	439	483	922	54
2	New Hampshire	440	481	921	75
3	Maryland	429	475	904	64
4	Connecticut	429	468	897	81
5	Massachusetts	426	470	896	79
6	Delaware	428	464	892	61
7	Vermont	424	466	890	68
8	Virginia	424	466	890	60
9	NEW JERSEY	417	469	886	74
10	Hawaii	405	478	883	55
11	New York	413	468	881	75
12	Rhode Island	421	459	880	67
13	Maine	421	458	879	64
14	PENNSYLVANIA	417	459	876	67
15	Indiana	408	457	865	57
16	Georgia	400	444	844	62
17	North Carolina	400	444	844	57
18	South Carolina	395	437	832	58
NATIONAL AVERAGE		422	474	896	42

*For states where more than fifty percent of high school graduates took the test.

Source: College Bound Seniors 1991: Information on Students Who Took the SAT: An Achievement Test of the College Board



DELAWARE VALLEY REGIONAL PLANNING COMMISSION, JUNE 1992

TABLE 6**1991 AVERAGE SAT SCORES BY COUNTY AND CITY****DELAWARE VALLEY REGION**

COUNTY ▸ (CITY)	SCORE	% OF DISTRICTS REPORTING
PENNSYLVANIA		
Bucks	902	92%
Chester	936	100%
Delaware	938	67%
▸ (Chester)	630	100%
Montgomery	954	100%
Philadelphia	771	100%
PENNSYLVANIA AVERAGE	876	
NEW JERSEY		
Burlington	900	75%
Camden	939	63%
▸ (Camden)	649	100%
Gloucester	872	73%
Mercer	937	100%
▸ (Trenton)	669	100%
NEW JERSEY AVERAGE	886	
NATIONAL AVERAGE	896	

Source: Greater Philadelphia Economic Development Coalition
Philadelphia, Camden, Chester and Trenton School Districts

Note: Individual district scores may vary widely within a County.

 DELAWARE VALLEY REGIONAL PLANNING COMMISSION, JUNE 1992

TABLE 7

**PER CAPITA STATE AND LOCAL GOVERNMENT EXPENDITURES
FOR ELEMENTARY AND SECONDARY EDUCATION IN 1990**

NATIONAL PER CAPITA = \$808.39*

RANK	STATE	PER CAPITA	RANK	STATE	PER CAPITA
1	Alaska	\$1,661.46	26	Delaware	\$779.21
2	Wyoming	1,194.46	27	Florida	774.79
3	New York	1,089.37	28	Kansas	773.11
4	Vermont	1,005.43	29	Arizona	772.18
5	Connecticut	983.47	30	Nevada	767.82
6	Oregon	977.09	31	Ohio	767.31
7	NEW JERSEY	974.65	32	South Carolina	752.61
8	Minnesota	923.48	33	Iowa	750.38
9	Washington	879.19	34	New Mexico	748.65
10	Wisconsin	875.18	35	Indiana	743.61
11	Montana	874.02	36	North Carolina	742.81
12	Maine	872.69	37	Illinois	731.61
13	Michigan	859.31	38	South Dakota	719.32
14	New Hampshire	842.58	39	Utah	719.23
15	Virginia	838.27	40	Missouri	714.88
16	Maryland	828.34	41	Louisiana	686.04
17	Colorado	827.37	42	West Virginia	670.80
18	Texas	823.64	43	Oklahoma	669.24
19	PENNSYLVANIA	820.94	44	Idaho	642.77
20	Nebraska	815.49	45	Hawaii	617.80
21	Rhode Island	806.05	46	Mississippi	617.56
22	North Dakota	789.47	47	Arkansas	593.62
23	Georgia	787.74	48	Alabama	575.76
24	California	783.69	49	Tennessee	546.14
25	Massachusetts	779.37	50	Kentucky	542.32
				District of Columbia	944.41

Source: U.S. Bureau of the Census, "Government Finances: 1989-90 (Preliminary Report)" (GF-90-5P, September 1991)

*Preliminary data for 1989-90; direct general expenditures. Rates calculated using 1990 Census population counts.



DELAWARE VALLEY REGIONAL PLANNING COMMISSION, JUNE 1992

TABLE 8

PERCENT OF POPULATION COMPLETING FOUR OR MORE YEARS

OF COLLEGE

1990

RANK	STATE	PERCENT	RANK	STATE	PERCENT
1	Massachusetts	28.1	19	Texas	21.7
2	Connecticut	27.5	20	Missouri	21.6
3	Maryland	27.4	21	Minnesota	21.5
4	Virginia	27.3	22	Illinois	21.1
5	Colorado	27.0	23	Montana	21.1
6	Vermont	26.7	24	New Mexico	20.6
7	California	26.4	25	Oregon	20.2
8	NEW JERSEY	25.7	25	Rhode Island	20.2
9	Utah	24.2	27	Florida	19.8
10	Washington	24.1	28	Nebraska	19.7
11	Hawaii	23.9	29	Delaware	19.4
12	New Hampshire	23.5	30	Wisconsin	18.9
13	Alaska	23.4	31	PENNSYLVANIA	18.6
14	New York	22.8	32	Maine	18.5
15	Kansas	22.3	33	South Dakota	18.4
16	Arizona	22.2	34	North Carolina	18.3
16	North Dakota	22.2	35	Georgia	18.2
18	Wyoming	21.9	36	Ohio	17.6
NATIONAL PERCENT		21.1			

Source: U.S. Bureau of the Census

TABLE 9

PERCENTAGE OF POPULATION
AGE 25 YEARS AND OLDER
COMPLETING MORE THAN FOUR YEARS OF COLLEGE
DELAWARE VALLEY REGION
1990

	<u>PERCENTAGE</u>
PENNSYLVANIA	
Bucks	24.8
Chester	34.7
Delaware	24.8
Montgomery	32.1
Philadelphia	15.2
 PENNSYLVANIA	 18.6
 NEW JERSEY	
Burlington	23.6
Camden	21.0
Gloucester	18.1
Mercer	29.5
 NEW JERSEY	 25.7
<hr/>	
NATIONAL	21.1
<hr/>	

Source: U.S. Department of Commerce Bureau of the Census 1980 and 1990

TABLE 10

**INTERNATIONAL STUDENT SCORES
HIGH SCHOOL SCIENCE AND MATH**

INTERNATIONAL COMPARISON OF SCIENCE SCORES		INTERNATIONAL COMPARISON OF MATH SCORES	
COUNTRY	PERCENT CORRECT	COUNTRY	PERCENT CORRECT
South Korea	78	South Korea	73
Taiwan	76	Taiwan	73
Switzerland	74	Switzerland	71
Hungary	73	Soviet Union	70
Soviet Union	71	Hungary	68
Slovenia	70	France	64
Italy	70	Italy	64
Israel	69	Israel	63
Canada	69	Canada	62
France	69	Scotland	61
Scotland	68	Ireland	61
Spain	68	Slovenia	57
UNITED STATES	67	Spain	55
Ireland	63	UNITED STATES	55
Jordan	57	Jordan	40

Source: Educational Testing Service, 1991


 DELAWARE VALLEY REGIONAL PLANNING COMMISSION, JUNE 1992

TABLE 11

PERCENT OF GROSS DOMESTIC PRODUCT SPENT ON EDUCATION

<u>COUNTRY</u>	<u>PERCENT</u>
Israel	10.2
UNITED STATES	7.5
Canada	7.4
Jordan	7.1
Soviet Union	7.0
Ireland	6.7
France	6.1
Hungary	5.7
Scotland	5.2
Switzerland	4.8
South Korea	4.5
Italy	4.0
Taiwan	3.6
Slovenia	3.4
Spain	3.2

Source: Educational Testing Service, 1991



CHAPTER III

TRAINING THE CURRENT WORK FORCE

In a study conducted by the National Center on Education and the Economy, more than 80 percent of the employers interviewed expressed concern about a "skills" shortage among their workers.¹⁴ Closer to home, a 1988 survey initiated by the Pennsylvania Department of Labor and Industry reveals that the majority of the 653 employers polled report serious deficiencies in workers' skills, attitudes and behaviors. Thirty-two percent of the respondents considered entry level employees' limited mastery of reading to be a problem which affects industry to some degree. Forty-five percent of the employers deemed writing deficiencies serious enough to effect business.¹⁵ These employers feel forced to choose from a pool of entry level workers whose abilities do not even meet minimum employment criteria.

In many cases, the skills of older workers are also deficient. Adult illiteracy is a critical problem, even among high school graduates and those who are employed. While this chapter focuses primarily on programs to train younger workers, or those with deficient job skills, improving literacy skills for all workers is essential, particularly given the requirements of today's jobs.

Work force availability and proficiency has become an important, if not the most important, economic development issue for many companies — a qualified labor force has a major impact on corporate location and expansion decisions. To provide worker training to create a qualified labor force, a number of federal, state and local programs exist to improve workers skills. Many of these programs are offered in conjunction with economic development packages to ensure that jobs are available once training has been completed. This chapter explores the programs that are available to economically disadvantaged or dislocated workers in the region, but it must be stressed that continual job training and education is essential for workers in all phases of their career.

FEDERAL ROLE

Jobs Training Partnership Act

The Jobs Training Partnership Act (JTPA) is a national training program which provides job training opportunities to economically disadvantaged youth and adults and dislocated

¹⁴National Center on Education and The Economy, *"America's Choice: High Skills Or Low Wages!"*, June, 1990.

¹⁵Pennsylvania Economy League, *"Southeastern Pennsylvania Workforce-Year 2000 Work and Workers,"* January 1992.

workers. Income guidelines define the economically disadvantaged. A dislocated worker is identified as a worker who has lost a job due to a plant closing or mass layoffs or is long-term unemployed and is unlikely to return to his previous occupation or employment. Administered by the Department of Labor (DOL), the states are responsible for the operation of the program. The states have created service delivery areas (SDAs) which plan for services on the local level. Within the Delaware Valley, the SDAs correspond to county designations.

The JTPA system provides a combination of federal, state and local initiatives. The monies flow from the DOL to the states and from the states to the SDAs. Federal funds for job training are allocated to cities or counties on the basis of Bureau of Labor unemployment statistics. In order for the states to receive their allocations they must prepare a coordinated special services plan of operation which describes how the state and local areas will use JTPA monies. While the state plan provides broad guidance, the program is locally driven and area Private Industry Councils (PIC) govern the training agenda. The PIC is a body of private citizens appointed by local officials. By law, 51% of the PIC must represent private for-profit business.

SDA training programs are designed to be responsive to the job demand in the area. The nine SDAs located in the Delaware Valley indicate that they use DOL statistics, study job advertisements and announcements and survey local companies to identify the jobs and skills that are in demand. Employment and training centers are responsible for preparing the initial assessment for each participant. Contracts are then established with private, technical, vocational and trade schools as well as community colleges to conduct the actual training. The "Greater Philadelphia Business Guide to Education and Training," recently published by the Greater Philadelphia Economic Development Coalition, lists 50 accredited technical, trade and business school programs in the region that awarded diplomas or certificates to 8,275 graduates in 1990 in fields ranging from health and medical technology to computer and information science, mechanics, and paralegals. Many, but not all of these programs utilize JTPA funds for their training.

While JTPA funds are targeted primarily to train economically disadvantaged workers, SDAs can also apply for National Reserve funds which are JTPA funds available upon request to fund programs for dislocated workers. Camden and Burlington Counties, for example, received \$1 million and \$460,000, respectively, to assist workers who have lost their jobs due to the Campbell Soup Company closing. Camden County is also seeking funding to assist workers affected by layoffs at General Electric. The Bucks County Office of Employment and Training responded to the USX Steel closing by obtaining a JTPA grant to conduct training for dislocated workers.

The closing of USX resulted in 1,960 workers being dislocated. Bucks County collaborated with the Pennsylvania and New Jersey Departments of Labor and Industry to establish a service plan. The \$1.6 million in JTPA funds was used to train 450 former USX employees. Training was provided in electronics, carpentry, nursing and health related professions. The

program organizers designed a training program that focused on careers that provided the dislocated workers with earning potential similar to the jobs that were eliminated.

The Philadelphia Private Industry Council recently received a \$750,000 JTPA grant to train workers who are dislocated because of the General Electric Aerospace plant closing. Approximately 1000 workers will be laid-off and, through this grant, about 300 workers can be retrained. The training will consist of short-term programs designed to enhance the skills of the workers. Examples of anticipated training programs include: entrepreneurial, technical and computer training.

The Camden County Office of Employment and Training has used JTPA funds to forge a link between training programs and economic development. Participants in these programs are taught skills and gain employment in growing companies. The companies benefit from government-funded assistance for training and are provided with a well trained work force. The Office of Employment and Training works in conjunction with the Camden County Improvement Authority to promote enterprise zones. The Authority attracts companies to the area and the Office of Employment and Training trains workers in the skill areas which the new employers require. Employer contributions supplement JTPA funds.

Camden County has also initiated a job training program with Cooper Hospital using JTPA funds to underwrite the cost of the six month training program and stipends for student trainees. The hospital provides in-kind services such as equipment and rooms. Participants will study at vocational/technical schools for 4 months and supplement their studies with a 1-2 month in-house hospital training program. Cooper Hospital is committed to hiring 50% of the 120 trainees and will help the other 50% obtain employment with local hospitals. The program will begin by training welfare recipients.

Training provided under the JTPA provides a resource to those who otherwise would not have the ability to improve and upgrade their skills. The low level of funding and high cost of training make it difficult to train significant numbers of workers within each SDA. Table 12 provides funding information and number of people trained during 1990 and 1991 for the nine county region. For 1990, the total number of people trained with JTPA funds represents less than 1% of the region's labor force and approximately 20% of its unemployed population. All SDAs in the nine county area indicate that demand for their services far exceeds what their budgets will allow them to provide.

In addition, job training programs report difficulty placing participants who have completed training, especially in recessionary periods when competition for jobs is fierce and employers have a large number of well qualified and overly-qualified applicants to fill job vacancies. Table 13 documents this trend. These figures, however, do not give an indication of how long the trainee remained at this position. On the average, approximately 60% of the clients who participate in JTPA training are placed in jobs. Not surprisingly, dislocated workers with an employment history and job skills are more likely to find jobs than those who are trained under the economically disadvantaged program. There has also been criticism that

TABLE 12
JOB TRAINING PARTNERSHIP ACT
BUDGET ALLOCATION AND NUMBER OF TRAINEES BY COUNTY

<u>COUNTY</u>	<u>1990 BUDGET</u>	<u>NUMBER TRAINED</u>	<u>1991 BUDGET</u>	<u>NUMBER TRAINED*</u>
NEW JERSEY				
Burlington	1,496,005	1,087	1,775,371	773
Camden	3,395,839	2,271	4,278,350	1,506
Gloucester	1,018,422	915	1,088,001	644
Mercer	1,966,271	1,327	2,020,376	1,208
PENNSYLVANIA				
Bucks	1,879,624	840	1,818,070	1,883
Chester	999,266	763	970,073	499
Delaware	1,950,950	1,735	1,757,756	1,426
Montgomery	1,813,497	1,236	1,645,566	911
Philadelphia	16,455,391	12,533	15,292,952	9,303

*Number trained represents those trained between July 1991 - March 1992.

Source: New Jersey Office of Employment and Training Pennsylvania Department of Labor and Industry



TABLE 13
PERCENTAGE OF JTPA TRAINEES PLACED IN JOBS BY COUNTY
1990

COUNTY	PERCENTAGE	COUNTY	PERCENTAGE
PENNSYLVANIA		NEW JERSEY	
Bucks		Camden	
<i>Title IIA</i>	44	<i>Title IIA</i>	55
<i>Title III</i>	75	<i>Title III</i>	70
Chester		Burlington	
<i>Title IIA</i>	56	<i>Title IIA</i>	67
<i>Title III</i>	85	<i>Title III</i>	70
Delaware		Gloucester	
<i>Title IIA</i>	62	<i>Title IIA</i>	62
<i>Title III</i>	65	<i>Title III</i>	86
Montgomery		Mercer	
<i>Title IIA</i>	28	<i>Title IIA</i>	57
<i>Title III</i>	40	<i>Title III</i>	77
Philadelphia			
<i>Title IIA</i>	72		
<i>Title III</i>	77		

Title IIA — Disadvantaged Youth and Adults

Title III — Dislocated Workers

Source: County Offices of Employment and Job Training



DELAWARE VALLEY REGIONAL PLANNING COMMISSION, JUNE 1992

the program favors training the dislocated worker over the economically disadvantaged. The JTPA program is not a panacea to improving workers' competencies. It is most effective as a short term intervention for assisting employees in moving from industry to industry as the employment opportunities change.

After several years of criticisms of the JTPA Program, including charges that the program does not adequately serve those most in need, provides excess training in menial occupations, and is not fiscally accountable, Congress has recently moved to enact amendments to the JTPA Program, by adopting legislation to reform the Program. The bill, signed into law by the President in August, 1992, would: improve targeting of services to the most needy, improve coordination between job training programs, limit the time individuals can spend in on-the-job training, upgrade the quality of services offered to clients and improve fiscal accountability.

Perkins II

The Perkins Vocational and Applied Technology Education Act was reauthorized in 1990 as Perkins II. The priority of this Act is to address the vocational training needs of special populations; this includes economically disadvantaged students. Funding is provided by the U.S. Department of Education. The money is allocated to school districts who in turn make funds available to vocational/technical schools. The money is aimed at integrating vocational and technical training with secondary education. Funding distributions are made according to a federal formula. For the academic year 1992-1993, Philadelphia will receive \$6.5 million, or approximately 25% of the Commonwealth's allocation.

Job Opportunities and Basic Skills (JOBS) Program

The Family Support Act of 1988 has been influential in changing the welfare system by stressing the importance of training for employment through the Job Opportunity and Basic Skills Program (JOBS). Welfare families are assured of training, education and employment to avoid long term dependence on welfare. All welfare recipients must participate in this program unless exempted. States have the flexibility to work within the federal guidelines to design a program that is responsive to the needs of their client population.

Under this program, states must offer high school equivalency courses, basic and remedial education, English as a Second Language and job readiness and job skills training. In addition, the states must supplement training with child care and other support services. There is a federal requirement that JOBS be coordinated with JTPA and other federal programs. JOBS programs have been incorporated into the state welfare programs in both Pennsylvania and New Jersey.

Through the Pennsylvania Department of Welfare, an employment training program called New Directions offers programs in literacy, GED, vocational training and advanced education. The program is a joint effort between the Department of Welfare and the PICs.

Funding is comprised of federal, state and JTPA funds. New Directions represents one of the new breed of workfare programs where the emphasis is on gradually weaning the welfare recipient from the welfare system by equipping him or her with marketable job skills. The program operates in all counties throughout the commonwealth. The New Jersey Department of Welfare also uses JOBS program funds to contract for training services for welfare clients.

Another proposal recently introduced in Congress (H.R. 5838/S.2633) would serve to streamline the federal job training programs by establishing a network of skill centers in each local service delivery area. These centers would serve as a one-stop shopping point of entry for clients seeking job training and vocational education and would include access to all federal job training programs, including JTPA, Perkins II, the JOBS Program, and others. No action has been taken by either House this year and the outlook for this bill is uncertain.

STATE INITIATIVES

New Jersey Business Resource Network

The goals of this collaborative effort between the State's Departments of Education, Higher Education, Labor and Commerce are to sustain the state's work force and assist businesses in trouble. This recent initiative evolved from the state's Workforce Development Plan. The Network is striving to build a quality work force by responding to employer's needs for training interventions. Employers who believe that their workers are deficient in any number of skills can call upon the Network to provide basic education, literacy training, English as a Second Language, vocational education, technical training and career guidance.

Member agencies of the Network, after being contacted by the employer, will certify the need for educational services, determine the length and type of training necessary, identify appropriate educational services, identify training institutions and develop contracts for the service delivery. Vocational education and training are provided within the categories of occupational education, transition to the work world and career orientation. The training is funded through state and federal adult education funds.

New Jersey Customized Training

The Office of Customized Training within the New Jersey Department of Labor provides assistance to employers who have a business need which, if not met, will cause them to close or leave the state. The Office operates with a budget of \$1,944,000 and will provide occupational and vocational skills training and upgrading. Employers are expected to contribute 35% of the classroom training costs and 50% of the workers' wages.

New Jersey New Skills Partnership Bill

The New Jersey New Skills Partnership Bill is designed to improve the quality of New Jersey's work force by implementing a voucher system which will allow employed and unemployed residents to purchase instruction to retrain or upgrade their skills. While the details of the initiative have not been developed, the bill is currently before the state legislature. The proposed level of funding is set at \$50 million with monies coming from the New Jersey Unemployment Auxiliary Trust Fund.

Pennsylvania Customized Training

The Commonwealth offers a Customized Training Program which is a collaborative effort between the Departments of Education and Commerce. Operating with a \$7 million budget from the Department of Education's General Fund appropriations, the program emphasis is on attracting new businesses to the state by ensuring that training is available to provide an adequate, skilled work force. Some local businesses that have used this program include: Epsilon Products of Media, United Parcel Air Hub and Actual Plastics Technology of Philadelphia, Users Inc. of Valley Forge and S.G.S. Thomas Micro Electronics located in Montgomery County.

The program does not provide basic skills training but does offer vocational and technological instruction. Businesses interested in expanding are also eligible to train and upgrade the skills of their employees through this program. In many cases, those who are currently working are most likely to benefit from this program. Customized Training will also prepare the unemployed for the work force in order to customize a package that will meet an employer's needs. Within the City of Philadelphia, the Philadelphia Industrial Development Corporation works with PIC to ensure that businesses seeking to expand or relocate to Philadelphia have needed on-the-job training, customized training and recruitment.

LOCAL AREA INITIATIVES

In addition to the federal and state programs, there are a number of local area initiatives designed to provide skills training to local area workers.¹⁶ While many of these programs utilize federal or state funds to the degree they are available, they are independently administered.

For example, the Ben Franklin Technology Center of Southeastern Pennsylvania operates the Job Link program designed primarily to train welfare recipients for entry-level positions paying at least \$6.50 per hour with benefits and career advancement opportunities. The

¹⁶Greater Philadelphia Economic Development Coalition, *"Greater Philadelphia Business Guide To Education And Training,"* 1992.

Business Development and Training Center at Great Valley provides help for small and emerging businesses, by sponsoring computer training and consultation and custom-designed training in management, finance, office technologies, sales and marketing. Other programs include the Wharton Small Business Development Center at the University of Pennsylvania, the Manufacturer's Association of Delaware Valley, and the Delaware Valley Industrial Resource Center.

In addition, there are several training programs that provide summer jobs and educational training to youth. These programs include Phil-A-Job, a collaborative effort with the Urban Affairs Coalition and the Summer Employment and Training Program.

CONCLUSION

The programs outlined above provide examples of training and retraining strategies which have been devised to help workers compete in the job market and adapt to changing employment situations. The training itself is often provided by traditional institutions but the public-private partnerships offer examples of how these arrangements make progress in improving the quality of the work force and at the same time create employment opportunities. These programs, like the JTPA, are restricted in their applicability because of funding limitations. As with the JTPA, they are effective but short term solutions — they deal with worker deficiencies on a case by case basis but do not affect large groups of workers. In addition to the programs described here, there are a number of private organizations that conduct job training — many on a small scale. The challenge is to compile an accurate listing of these programs and make the information available to those who will benefit the most from these programs.

While job training programs provide an effective strategy for upgrading the skills of the current work force, funding is inadequate to serve large segments of the population. Furthermore, placing clients in jobs upon completion of training is difficult. Combining state and federal funds to stretch available training dollars a bit further can, and have, increased training opportunities. Job training assistance can also be an important part of economic development packages and are attractive because they provide trainees with assurances of employment and provide prospective employees with a well-trained work force. Packages such as these, however, are difficult to promote during sluggish economic times and employers may choose to hire from the glut of highly skilled workers rather than train and upgrade workers with deficient job skills. Although today's economic climate may make it more difficult for training programs to find employment for their trainees, they still provide their trainees with a level of skills that will enhance their standing in the job market and serve them well as economic conditions improve.

Even with expanded training programs, however, the mismatch between jobs and workers will remain if the physical separation between centers of population and the new employment centers continues unchecked. To address this issue, the next two chapters examine programs to attract additional employment opportunities to the higher-density urban areas and to create new affordable housing opportunities in suburban areas.

CHAPTER IV

BRINGING THE JOBS BACK TO THE WORKERS

As employment centers have decentralized, concentrating in suburban areas, many workers have found it increasingly difficult to locate affordable rental or for-sale housing within close proximity of their job sites. Many areas of Montgomery, Bucks and Chester counties, for example, have experienced significant employment growth in recent years, but housing which is affordable to the region's median-income households is scarce in these areas. In contrast, the region's older urban areas contain affordable housing, but have realized declining employment and population in recent years.

Additionally, it has been projected that most future new jobs in the region will be below the managerial level. The lower-skilled (and lower income) labor pool residing in urban areas will therefore become increasingly important to the regional economy. The economic future of the entire Delaware Valley is linked to the ability of the City of Philadelphia and of other urban areas within the region to attract and retain a significant share of future employment growth.

This chapter focuses on federal, state and local policies and programs designed to stem the current decentralization of the region's employment base. Techniques and tools to attract jobs into the region's urban areas which could be filled by workers residing within those cities, specifically the City of Philadelphia, Trenton and Camden, are explored. While larger companies play a key role in revitalization efforts within urban areas, acting as magnets for future growth, many new jobs have historically been and will continue to be created through the development of small businesses. Programs which do not directly require the creation of a specific number of jobs but which assist small business development are therefore included in this discussion.

FEDERAL ECONOMIC DEVELOPMENT POLICIES AND PROGRAMS

Urban Enterprise Zones

The current administration's position on poverty and urban economic development, as presented by the Department of Housing and Urban Development (HUD) in "The President's National Urban Policy Report", is that the fight against poverty must involve the elimination of "governmental and nongovernmental barriers to opportunity" and focus on "incentives that can empower the poor with greater opportunity". The report states that the "war on poverty requires not only the removal of barriers to personal accomplishment, entrepreneurship, growth and jobs, but also an activist policy to provide tools for the poor

to better utilize their capacity to participate in the economic mainstream".¹⁷ HUD has adopted six priorities advancing this basic principle, including the creation of jobs and economic development through enterprise zones.

First utilized in England in the late 1970's, the enterprise zone concept basically involves offering a set of tax breaks and other incentives designed to lure businesses back into urban areas. Enterprise zone programs are currently being implemented in 40 states, including New Jersey and Pennsylvania, with varying degrees of success. In May of 1989, a survey conducted for "Business Facilities Magazine" showed that state-level enterprise zone programs had by that time generated approximately 184,600 new jobs, had been instrumental in retaining 169,600 existing jobs, and had led to \$18.1 billion in new capital investment.¹⁸ Tax breaks are most often used as the main incentive within the designated zone, although research has shown that the most productive state programs are also linked to other governmental efforts requiring substantial public investment.

A 1989 study conducted for the Department of Housing and Urban Development concluded that the most effective incentives offered by State and local enterprise zone programs were a tax credit for new employees; an investment tax credit; and a sales and use tax exemption for products and equipment purchased by firms located within the designated zone.¹⁹ State coordinators have stressed, however, that the most effective component provided by local enterprise zone programs is a high level of support from local elected officials. Various states' experiences have shown that successful enterprise zone programs have served as a mechanism for local officials to develop a community-wide strategy to attract new firms, retain existing ones, and to pursue related social goals.

Federal legislation adopted in 1987 authorized the symbolic designation of 100 federal enterprise zones. This authorization was never used, however, since it provided no specific incentives for economic development. Enterprise zones were not included in the Cranston-Gonzales National Affordable Housing Act of 1990.

Two enterprise zone bills have been introduced before Congress in light of the states' experience in utilizing enterprise zones and in response to deepening urban problems. Senate Bill 1032, the bill preferred by the current administration, would permit the Secretary of HUD to designate 50 Federal enterprise zones, one-third in rural areas and two-thirds in urban areas. In the wake of the Los Angeles riots, the Administration recently proposed

¹⁷United States Department of Housing and Urban Development, *The President's National Urban Policy Report*, December, 1991, page I-1.

¹⁸United States Department of Housing and Urban Development, *"The President's National Urban Policy Report,"* December, 1991, page 2-6.

¹⁹Rymph, David, *"Enterprise Zones With Competitive Programs-Performance And Effectiveness."* HUD, 1989.

expanding the program to allow designation of 150 enterprise zones, costing approximately \$2.3 billion over five years. Selection of the zones would be based on distress criteria; on the willingness of State and local governments to provide additional incentives within the zone; and on the likelihood that combined federal, state and local efforts would lead to significant reductions in poverty, unemployment and related social problems. A separate proposal, House Bill 11, would create 50 enterprise zones, with one-half in rural areas and one-half in urban areas. While the final form of these bills are still being debated, the benefits of the zones would be primarily the establishment of a variety of tax incentives.

Critics, however, note that tax incentives alone are not enough to counter many of the disincentives evident in urban areas, such as high crime and poor services. Many experts believe that tax breaks are not as important as improving the overall image of the area (fix-up, clean-up) and providing services such as job training, drug and alcohol rehabilitation, and child care to assist residents in joining the local work force. The Department of Housing and Urban Development, however, argues that federal tax incentives are more attractive than tax incentives offered at the state or local levels because state and local taxes are generally lower than federal taxes. HUD officials believe that federal tax breaks, being larger than those offered at the state or local levels, will provide a strong incentive for urban redevelopment, particularly when combined with state and local efforts to reduce crime, improve services and otherwise improve urban areas.

Weed and Seed Program

Another federal initiative designed to aid in the revitalization of urban neighborhoods is the "weed and seed" program. The basic philosophy of this program is that depressed urban neighborhoods should first be "weeded" of crime and drug activity through intensive action by local and state police and federal agents and prosecutors. This preliminary activity should then be followed by the institution of neighborhood-based policing programs and the implementation of various family services, job training and drug treatment programs, and youth services and activities to "seed" the area for future growth.

The program was begun in 1991 in four cities (Philadelphia, Trenton, Kansas City and Omaha) as a pilot program under the United States Justice Department. In Trenton, four neighborhoods were selected to participate, each approximately 10 square blocks in size. "Safe havens" are offered to the area youth as an alternative to loitering in the streets, including sports centers with organized activities and swimming pools. Certain schools are kept open until 9:00 P.M. on weekdays and all day on Saturday with adult supervisors offering counselling and direction, and Head Start Programs have been expanded in the target neighborhoods. Sixteen additional cities are scheduled to be included as a part of the urban aid package now being considered by Congress, with the President having requested \$500 million for the program.

Critics of the federal legislation maintain that proposed funding levels will allow the program to reach only a fraction of the nation's most depressed urban areas, and to have

only a minimal impact in each of those areas. Additionally, over 50% of the proposed funding for the program is being shifted from existing aid programs, including the Jobs Corp, community health centers, public housing funds, and nutritional programs for women, infants and children. Recipients of aid from these programs who live outside of the targeted areas will therefore receive less aid than before. However, proponents argue that this program sets precedent in American urban policy, since it recognizes that neither law enforcement nor social services alone will resolve the urban needs facing the nation. Ideally, the program could be used within a state or federal enterprise zone, improving neighborhoods in which tax incentives were also in place to attract potential employers.

HUD's Section 108 Loan Guarantees

The Department of Housing and Urban Development's Section 108 loan guarantee program provides front-end financing for large-scale economic development projects which cannot be financed from annual community development block grant (CDBG) funds to cities which are entitled to CDBG funding. Agencies which administer CDBG funds issue promissory notes, which are sold through underwritten public offerings. The notes are guaranteed by the Department of Housing and Urban Development and are based on current and future CDBG entitlement grants. Eligible activities include the acquisition of property; the rehabilitation of publicly-owned property; housing rehabilitation; eligible economic development activities; and related relocation, clearance and site improvements.

The program is intended to leverage private financing, with loans being made for up to 20 years. Projects financed through the guarantee program must principally benefit low and moderate-income persons, aid in the elimination or prevention of urban blight, or meet other urgent community development needs. Loan guarantees may not exceed three times the applicant's annual entitlement amount. This program has been used extensively by agencies which administer CDBG funds in Philadelphia (which received an annual CDBG entitlement of \$57.9 million for the 1992 fiscal year) and Camden (which received an annual entitlement of \$13.3 million in 1992).

United States Small Business Administration Programs

Many new jobs within cities can be created through small business development. The United States Small Business Administration (SBA) guarantees bank loans to small businesses and also offers fixed-asset long term loans to eligible small businesses through its 504 Loan Program.

The purpose of SBA's loan guarantee program is to provide intermediate and long-term low-interest financing for small businesses. The small business applies to a bank, which does a credit analysis and seeks approval from the SBA. If approved, the loan is made and serviced by the bank. The SBA's guarantee enables banks to make loans which otherwise would not meet their normal credit criteria, giving the bank a certain "comfort factor" (particularly in start-up situations).

Small businesses in the Philadelphia area received a total of \$34.9 million in SBA loans between October 1, 1991 and May 31, 1992, and total loans guaranteed for the fiscal year ending September 30, 1992, are expected to reach approximately \$52.3 million. Fifty-five loans, totalling \$13.3 million, were guaranteed for small businesses located in southern New Jersey (including Burlington, Camden, Gloucester, Atlantic, Cape May, Ocean, Salem and Cumberland counties) between October 1, 1991 and June 30, 1992.

In addition to this loan guarantee program, SBA offers existing small businesses long-term, below-market financing through its 504 Loan Program. Loans are available for land acquisition, machinery and equipment purchases, or construction and renovation which will result in job creation. At least one job must be created or retained for each \$35,000 of 504 loan money lent. The small business must occupy at least 50% of the building being constructed or renovated at the time of completion, and must project to occupy the entire building within three years.

SBA 504 loans are packaged by private corporations certified by the SBA. These corporations review the application and determine the ability of the applicant to secure and repay the loan. SBA-certified development companies serving the Delaware Valley region include the Chester County Small Business Assistance Corporation, the Keystone Small Business Assistance Corporation, the Philadelphia Industrial Development Corporation, the Quaker State Certified Development Corporation, the Urban Local Development Corporation, the New Jersey Local Development Authority, the 504 Development Corporation, the Camden Local Development Corporation, and the Trenton Business Assistance Corporation.

In addition to financing, the SBA offers counseling and training services to small business owners in such areas as business plan development, marketing and advertising, and financing, accounting and bookkeeping. Counseling is provided without charge to clients at small business development centers (SBDCs) funded by the SBA, state legislatures, private sector organizations and chambers of commerce. These small business development centers also provide low-cost training programs on basic business skills and on advanced business management. Specialized programs on such topics as exports, government procurement, product design and testing, and international trade and government programs are also offered by specific SBDCs.

Small business owners who cannot qualify for financial assistance are often referred by financial institutions to SBDCs for counseling and training. Small business development centers serving the Delaware Valley region currently operate out of LaSalle University, Lehigh University, Temple University, University of Pennsylvania, Mercer County Community College, and Rutgers University (Camden campus).

NEW JERSEY ECONOMIC DEVELOPMENT INITIATIVES

New Jersey's Enterprise Zone Program

The primary economic development tool currently in place in New Jersey designed specifically to create employment opportunities within urban areas is the New Jersey Enterprise Zone Program, created by the New Jersey Urban Enterprise Zone Act. New Jersey's enterprise zone program is similar to the program proposed by the Bush Administration in that it relies heavily on tax incentives to attract investment into its zones.

There are currently ten active enterprise zones in New Jersey, located in Bridgeton, Camden, Elizabeth, Jersey City, Kearny, Vineland, Newark, Orange, Plainfield and Trenton. Within these zones, the state sales tax is waived for participating businesses that buy property or pay for services. Retailers within the zone charge customers half of the allowable state sales tax, which is then put into a "zone assistance fund" and used for improvements such as roads, lighting, police service and fire protection. A \$1,500 tax credit against the Corporation Business Tax Act is available to businesses located in enterprise zones that are not engaged in retail sales or warehousing, if they hire new employees who are residents of the zones and were unemployed for at least 90 days before being hired. In lieu of this employee tax credit, employers may be eligible for an 8% investment tax credit.

Employers may also be eligible for an unemployment insurance-based award, depending upon the amount of unemployment insurance tax they pay for their employees. Additional potential benefits within the enterprise zones include possible exemptions from certain state and municipal regulations (at the discretion of the municipality or affected state agency); possible reductions in utility rates; priority for funding under the Local Development Financing Fund (see below); and energy assistance from the Department of Commerce and Economic Development.

In May of 1992, the state announced that approximately \$4.8 billion had been invested in the state's 10 zones since 1985 (mainly through private investments), creating approximately 20,000 full-time jobs. Studies have estimated that the state's enterprise zone program has added \$1.90 in new revenues for every \$1.00 provided in the form of tax breaks.²⁰ Critics, however, charge that State estimates of investments and job creation and retention within the zones are inflated, since the state attributes all growth within the zones to the enterprise zone designation and does not account for growth which may have occurred anyway. These numbers therefore include a certain percentage of jobs and investments which may have occurred naturally given the boom in New Jersey's economy during the mid to late 1980's.

²⁰Byron, Christopher, *"Zone Offense: A Good Idea For The Cities,"* New York, May 25, 1992.

An analysis of New Jersey's program also illustrates that enterprise zone designations within extremely depressed areas such as Camden City have proven to be less effective than those zones in less depressed or transitional neighborhoods. Within the City of Camden, nearly \$300 million in private investment has led to the creation of 1,135 full-time and 92 part-time jobs since 1985. Since almost the entire city is designated as an enterprise zone, however, virtually any new job is credited to the enterprise zone designation. Because the retail base in the city is weak, the sales tax fund generates little revenue for use in the zone. Capital improvements financed with enterprise zone funds in Camden total only \$700,356 since 1986; in Trenton, for example, improvements total \$3 million; in Newark, \$8 million; and in Vineland, \$13.7 million. Urban revitalization within extremely depressed central cities will require a larger public investment in order to improve social services, reduce crime, increase police and fire protection services and improve public infrastructure.

Programs of the New Jersey Economic Development Authority

The New Jersey Economic Development Authority manages the **Local Development Financing Fund (LDFF)**, which provides long-term financing for commercial and industrial projects located within State-designated Urban Aid communities. LDFF loans are made at below-market interest rates, can range from \$25,000 to \$2 million, and have a maximum term of 25 years, although many loans are for shorter terms. The program operates on a competitive basis due to limited funding availability, and loan funds must be matched by at least an equal amount of private investment. During the first five months of 1992, two loans totalling \$761,139 were given out through the LDFF (neither to businesses within the DVRPC region). During 1991, a total of \$2,961,743 was lent through the fund, including \$300,000 to businesses in Mercer County.

The Economic Development Authority also issues tax-exempt bonds for manufacturing facilities and other eligible projects. The interest earned by bond purchasers is exempt from federal taxes and from the state gross income tax. Taxable bond financing is available through the Authority to help companies obtain long-term loans for fixed assets, refinancing and working capital at reduced interest rates. Taxable financing is available for a variety of businesses, including manufacturing, warehousing, distribution, commercial and service industries.

Programs of New Jersey's Urban Development Corporation

The **Urban Development Program**, under the auspices of the New Jersey Urban Development Corporation (UDC), was created in 1987 to stimulate revitalization by providing equity and below-market rate financing for urban non-residential construction or rehabilitation. The program is used primarily for commercial, industrial or cultural projects which increase ratables and create or retain jobs within targeted urban areas.

Applicants may be either non-profit or for-profit organizations. Loans for up to \$3 million for a single project are available, to be repaid at below-market interest rates over a term

ranging up to 20 years. Funds are available for either construction financing or permanent financing.

In addition to the Urban Development Program, UDC also provides loans of up to \$1 million, equity investments and other assistance in targeted urban communities through its Small Business Incubator Program. Funds are available for feasibility studies and for permanent financing for acquisition and improvement of real estate or for equipment and other fixed assets. Another UDC program, the Neighborhood Development Corporation (NDC) Program, encourages neighborhood residents to establish for-profit businesses. UDC provides financial assistance (including up-front costs for feasibility studies and permanent financing for purchase, renovation or construction) and also provides or arranges for technical assistance.

Programs in the City of Camden

The **Cooperative Business Assistance Corporation (CBAC)** is an economic development agency formed in 1987 by the City of Camden and three banks. The corporation offers low interest loans through its Commercial and Real Estate Loan Programs; technical assistance with bookkeeping systems, general marketing and cash flow planning; educational and community outreach events; and a facade improvement grant program.

CBAC's Commercial Loan Program is operated for the benefit of new or existing small businesses located in or relocating to the city. Sixty percent of each loan made by the corporation is funded by the banks, while 40% is funded by the CBAC, utilizing community development block grant (CDBG) funds provided by the City. The banks receive the first lien position, and one bank agrees to service the loan. Loans ranging from \$20,000 to \$75,000 are available for small manufacturers, professional corporations, wholesalers and service companies for a period of five years at an interest rate which is approximately 1% below prime.

Between July 1, 1990 and June 30, 1991, CBAC made five loans under its commercial loan program, totalling \$191,500, to businesses which employed 40 people prior to receiving their loans but created 40 additional jobs after receipt of the loans. Recipients included Binding Specialties, Inc., which received \$55,000 to purchase new equipment; GM Child Care Center, which received \$38,000 to purchase and renovate a vacant building into a preschool; Cam-Core, which received a \$20,000 loan to buy equipment; Camden Suds, Inc., which received a \$56,500 loan to purchase the equipment necessary to open a new laundromat; and the Cepero Auto Body Repair Shop, which received a \$22,000 loan to purchase equipment necessary to open a shop on the commercial strip along River Road in East Camden. Between 1987 and 1991, CBAC had lent or committed \$411,750 through this program and leveraged an additional \$1.04 million; for every dollar lent, the private sector had lent or invested \$2.53.

In addition to this revolving loan program, CBAC serves as the City's agent in administering real estate loans available as a result of a loan received by the City from HUD in the Spring of 1989 to provide permanent mortgage financing for commercial properties. Properties purchased through the Real Estate Loan Program include two vacant mixed-use buildings in the 400 block of Broadway, which will be renovated to include a variety of businesses plus eight apartments; a vacant parcel of land in East Camden on which the owner is proposing to build a shopping center; and a property on Haddon Avenue which will be rehabilitated to include two professional offices and an apartment. Since its inception, the program has provided 8 loans totalling \$1.5 million, and these loans have leveraged an additional \$1.03 million in investments and loans.

CBAC also pays for technical assistance in preparing the applications and during the term of the loan, which is provided through the Philadelphia Minority Business Development Agency, located in the City of Philadelphia. Businesses receiving funds must provide jobs to low and moderate income city residents. CBAC represents an innovative partnership between the public and private sectors which is working to create and retain jobs by providing capital to businesses which otherwise would be unable to secure financing.

Programs in the City of Trenton

The Capital City Redevelopment Corporation (CCRC) was created in 1988 by the Governor and Legislature. The mission of the CCRC is to create and implement a revitalization strategy for Trenton's capital district. In 1990 the CCRC completed its "Renaissance Plan", which incorporates a 20-year vision for redevelopment within the City of Trenton. Elements of the plan include enhancement of the city's three waterways; reclamation of downtown parking lots in order to allow for more useful development on these sites; enhancement of the public transit system; and the creation of 3 million square feet of office space, 300,000 square feet of commercial space, and 2,000 new city housing units. The CCRC is now working towards turning this "vision" into reality, functioning as the initiator and the facilitator of various projects (such as bringing a large hotel complex into the downtown area of Trenton) and working closely with the city's Downtown Association.

Loans to small business owners in the City of Trenton are available through the **Merchant Loan Program**. The program is administered by the Trenton Business Assistance Corporation (TBAC), a non-profit lending and development corporation operating under contract with the City of Trenton. Small loans are available to businesses or property owners who employ or provide a service to low or moderate income city residents for between 25% and 50% of their project costs (generally totalling between \$3,000 and \$15,000). These low-interest loans may be for a term of up to five years, and may be used for interior or exterior building improvements, energy conservation or roof repairs. TBAC has provided approximately 100 loans to date worth approximately \$750,000, working with eight different banks.

PENNSYLVANIA ECONOMIC DEVELOPMENT INITIATIVES

Pennsylvania's Enterprise Zone Program

The Pennsylvania Department of Community Affairs is responsible for designating state enterprise zones and managing the Commonwealth's Enterprise Zone Program. Pennsylvania's enterprise zone program generally minimizes the use of tax benefits in favor of more traditional urban spending programs (direct investment in its zones). The Commonwealth believes that such a program is more successful than those programs which rely heavily on tax benefits as incentives. Since 1983, 45 enterprise zones have been established in the Commonwealth, creating approximately 10,500 jobs.

The general purpose of the enterprise zone designation is to provide assistance to employers and stimulate business growth. Available enterprise zone funds are intended to serve as seed money to leverage private investment. In general, the Department of Community Affairs funds projects which will create at least one permanent job for each \$15,000 of funding and in which at least half of the jobs created will pay more than minimum wage.

Each Pennsylvania enterprise zone is awarded a basic annual grant (currently \$110,000) for administrative expenses and seed money, with funding guaranteed for five years and extended beyond five years if conditions warrant. Competitive grants covering up to 30% of the total project cost are also available for larger projects in enterprise zones, which can be used to increase the competitiveness of an existing business; expand or modernize an existing business; attract new export firms to the zone; or develop and implement a new technology.

Low-interest bridge loans may also be available within enterprise zones, using basic grant money or from a revolving loan fund capitalized over a period of time from basic grant funds. Revolving loan funds operate in over one-half of the Commonwealth's enterprise zones. Within this region, revolving loan funds are available in the enterprise zones located in the City of Philadelphia and in the Conshohocken/West Conshohocken enterprise zone.

Employers located within the zone receive a state corporate net income tax credit of up to 20% of the value of improvements made for business purposes, with a maximum annual tax credit of \$250,000 per approved project. The enterprise zone program has \$4 million in tax credits for allocation each year. Property tax credits or deductions may also be offered within enterprise zones, at the discretion of the local taxing jurisdiction.

Businesses within enterprise zones are eligible for Pennsylvania Industrial Development Authority (PIDA) loans at the lowest rate available across the state regardless of location, and the maximum amount which may be borrowed is increased for recipients within the zone. Additionally, proposals for state and federal funding receive priority consideration if the project is located within an enterprise zone, including applications for Business Infrastructure Development (BID) funds, neighborhood assistance or housing and

redevelopment funds from the Department of Community Affairs, CDBG funds, and certain PennDOT funding.

Four enterprise zones are located within Philadelphia: American Street and Hunting Park West, in North Philadelphia; West Parkside, in West Philadelphia; and Ports of Philadelphia, along the Delaware River waterfront. The city and the state provide low-interest financing to companies locating in the zones, and the city uses city tax-supported capital funds to provide the basic infrastructure in city-owned industrial parks located in enterprise zones. Additionally, both the Water Department and the Gas Commission make repairs to existing lines utilizing their own funds.

The city's participation in the enterprise zone program to date has shown modest success. Approximately \$40.6 million in public funds have been invested in 128 companies that have started or expanded within the four zones since 1983, as well as \$147.7 million in private investment. Additionally, approximately \$212 million in public funds from various federal, state and local agencies have been spent within the Philadelphia enterprise zones on projects such as water and sewer improvements and road repair and maintenance. Approximately 11,820 jobs have been retained in enterprise zones since 1983, and 3,130 jobs have been created.

Many new businesses within the city's zones have been warehousing operations, which produce few jobs per square foot. Additionally, some critics hold that tax breaks and low-cost financing may not be enough incentive given increased crime, higher taxes and poor city services. Mayor Rendell recently announced his commitment to increasing police protection and improving sanitation services within the enterprise zones²¹. Community leaders within the zones maintain that in addition to new jobs, neighborhoods with enterprise zone designations need better housing, education systems, job training and day care facilities. Some successes are noteworthy, however; the Budd Company expanded its auto-parts company in Hunting Park and kept 1,900 jobs in the city with the assistance of a \$5.75 million enterprise zone revolving loan, and a West Philadelphia warehouse was converted into a small business start-up center for 55 businesses utilizing \$5 million of low-cost financing.

Programs of the Pennsylvania Community Development and Finance Corporation (PCDFC)

The PCDFC is a state-wide non-profit organization established in 1988 to provide loans, grants and training to non-profit, community based organizations which undertake business or housing development projects. It is an affiliate of the National Rural Development and Finance Corporation based in Washington, D.C.

²¹Testimony of Mayor Edward Rendell to the United States House of Representatives Subcommittee on Economic Stabilization, April 24, 1992, Philadelphia, Pennsylvania.

Low-interest loans and grants are available through PCDFC for the creation of businesses that generate jobs or services for low-income people. The total amount of the loan or grant cannot exceed 75% of the project costs, with a minimum loan-grant combination of \$25,000 and a maximum of \$150,000. The current interest rate is 8%, with the term of the loan varying depending on the project. The corporation's preferred ratio is one job created for each \$15,000 spent. The PCDFC also operates a rural economic development loan program which provides low-interest loans for projects which create or retain jobs in distressed rural areas. Additionally, the corporation provides a broad range of training in the community development process for community-based organizations.

Since 1988, PCDFC has approved \$344,625 in grants and \$1.2 million in loans, which in turn has leveraged approximately \$6.5 million in private funds and led to the creation of 310 jobs and the rehabilitation or construction of 21 housing units. In 1990, for example, the Central Germantown Council was given a \$12,500 grant and a \$37,500 loan to renovate mixed-use properties, which led to the creation of 6 jobs and 2 housing units and leveraged \$135,900.

Programs under the Pennsylvania Department of Commerce

The Pennsylvania Department of Commerce operates four major programs which are directly involved with economic development and job creation or retention: the Pennsylvania Industrial Development Authority (PIDA); the Pennsylvania Capital Loan Fund (PCLF); the Industrial Communities Action Program (ICAP); and the Industrial Communities Site Program (ICSP). Both the ICAP and ICSP programs specifically focus on stimulating the re-use of blighted industrial properties. Other programs administered through the Department of Commerce include the Sunny Day Fund (SDF), the Machinery and Equipment Loan Fund (MELF), the Environmental Technology Loan Fund (ETLF) and the Employee Ownership Assistance Program (EOAP).

The **Pennsylvania Industrial Development Authority (PIDA)** was established in 1956 and is today the most well-known of Pennsylvania's economic development programs. Loans are made to manufacturing and industrial firms for land acquisition, new construction, expansion or renovation. The amount of the PIDA loan is based on the rate of unemployment in the area where the firm is located (the higher the unemployment rate, the more PIDA will lend and the lower the interest rate). Loans may range from 40% to 70% of the land and building costs, with a maximum of \$2 million per project. Projects located within the commonwealth's enterprise zones automatically receive the lowest available interest rate, and limits on the amount of the loan may be increased.

One new full-time job must be created for each \$15,000 provided. The Authority imposes an interest-rate penalty on projects that fail to attain at least 75% of their projected employment, unless a valid explanation can be provided, such as natural disaster or an unexpected industry trend. Applications are submitted to and approved by a non-profit industrial development corporation, and are then reviewed by PIDA's board. PIDA-affiliated organizations serving the region include the Bucks County Industrial Development

Corporation, the Chester County Development Council, the Delaware County Industrial Development Corporation, the Montgomery County Industrial Development Corporation and three corporations in the City of Philadelphia: the Council for Labor and Industry, the PIDC Financing Corporation and the University City Science Center.

In May of this year, for example, a PIDA loan was made to AIM Electronics, located in Falls Township (Bucks County), to acquire and renovate an existing building. The approved PIDA loan totalled \$162,000 towards a total project cost of \$405,000, and 11 new jobs are expected to be created. In February of 1992 the Enterprise Paper Company, located in Bristol, borrowed \$682,100 to assist in acquiring and renovating an existing building, and will create 50 jobs. In Montgomery County, the House of Bargains, Inc., of West Conshohocken, borrowed \$323,445 in May of this year to expand an existing building, which will lead to the creation of 24 jobs. Communications Test Design, of East Goshen Township (Chester County) recently borrowed \$964,360 towards the acquisition of electronics and telecommunications equipment, anticipating that 65 new jobs will be created. In Kennett Township, the J.B. Swayne Spawn Company (an agricultural business) borrowed \$250,000 in June to expand an existing mushroom spawn business, creating 17 additional jobs.

Pennsylvania Capital Loan Funds (PCLF) are available to small businesses engaged in manufacturing, industrial or advanced-technology operations, to be used for land, building, machinery or equipment acquisition or working capital. PCLF loans may be used to finance up to 50% of the project costs or \$100,000, and one job must be created within three years for every \$15,000 of PCLF funds.

PCLF funds are loaned to area organizations, which in turn loan the money to individual businesses. Organizations servicing the Delaware Valley include the Bucks County Industrial Development Corporation, the Chester County Development Council, the Delaware County Partnership for Economic Development, the Montgomery County Development Corporation, and the Philadelphia Industrial Development Corporation Financing Corporation. Capital loan funds committed within the DVRPC region between 1991 and 1992 include 17 loans made in Chester County, for a total of \$2,215,750 and leading to the creation of 263 jobs (an average of approximately \$8,400 per job); 1 loan committed in Montgomery County for \$100,000, creating 8 jobs; and 3 loans made in Philadelphia, totalling \$189,000 and leading to the creation of 16 jobs.

The goal of the **Industrial Communities Action Program (ICAP)** is to provide an incentive for municipalities and economic development organizations, in conjunction with developers and investors, to re-use dormant manufacturing and industrial buildings by creating multi-tenant facilities. The program is targeted to projects that offer strategic or regional economic development opportunities, and provides financing for the development of industrial buildings that have been unable to attract private investment without being modernized or rebuilt. The maximum loan amount per project is \$1 million or 25% of the project's costs, and the program requires an equity investment by the developer of 5% of total project costs. The term and the interest rate of the loan are set by the municipality, after approval by the

Department of Commerce. One full-time job must be created within five years of project completion for each \$50,000 loaned.

The **Industrial Communities Site Program (ICSP)** provides grants to municipalities to finance the removal of hazardous materials, the construction of public infrastructure (such as sewer, water, on-site roadways, lighting or landscaping), excavation and site preparation, and other changes that could be made to render blighted industrial land usable and marketable. Typically, a municipality would apply for a ICSP grant while a bank would finance the actual rehabilitation or construction on the site for a private developer. The maximum grant amount is \$1.5 million, and projects funded under the program must create jobs in manufacturing, industrial, or research and development businesses. Both the ICAP and the ICSP programs have proven to be useful in older urbanized areas, where the clean-up and re-use of dormant and often contaminated manufacturing sites can create significant economic development and employment opportunities.

ICAP and ICSP share a single appropriation; in 1991, \$9.5 million was appropriated for the two programs. During that year two loans were made under ICAP for approximately \$1.3 million, and 13 projects or grants were issued under ICSP. Both programs are in their fourth program year and will therefore begin reviewing job creation commitments next year, since applicants commit to creating jobs within five years.

Programs of the Pennsylvania Office of the Treasurer

The Pennsylvania Treasurer's Office oversees the **Linked Deposit Program**, a program designed to help create and retain jobs by placing state deposits into banks and savings and loans associations which make loans to new or expanding small-businesses. Small businesses apply for loans at banks which are approved state depositories. The loan application is reviewed by the bank and, if approved, forwarded to the Office of the Treasurer. The Treasurer's Office then evaluates the loan based on the number of jobs created or retained, the ratio of jobs to the dollars loaned, and the level of economic need in the community. If the application is approved, the Treasurer's Office purchases a fully-insured Certificate of Deposit from the bank, which then makes the loan to the small business. One small business job must be created or retained for every \$15,000 deposited by the Commonwealth. Approximately \$80 million has been disbursed since the program began in 1988, and a total of \$200 million is authorized.

The Treasurer's Office believes that the Linked Deposit Program has been under-utilized in the Philadelphia region. In the City of Philadelphia, five linked deposits have been made, resulting in loans totalling \$2.32 million to Sun Printing House, Crown Industries, Quality Lithographing, Transcor Incorporated, and Woodland Cryogenics. These loans have led to the retention of 65 jobs and the creation of 48 full-time jobs. In Montgomery County, linked deposits totalling \$150,00 have been made on behalf of two businesses (Paul W. Froshur and Son, located in Hatfield, and LCR Electronics, of West Conshohocken), which saved four jobs and created 22 jobs, and one linked deposit for \$180,000 was done in Chester County

for Jackson Immuno Research Labs, creating 20 jobs. Two deposits, one for \$100,000 for Delta-X Corporation of Levittown and another for \$175,000 to G-F Fastening in Whitehall, have been made in Bucks County, resulting in the creation of 11 full-time and 2 part-time jobs and the retention of 4 full-time jobs. The Linked Deposit Program has not yet been utilized in Delaware County.

Programs in the City of Philadelphia

Several programs operating by and for the City of Philadelphia are designed to foster job creation and retention. One incentive currently offered city-wide is a three-year real estate tax abatement for improvements to real estate, including repairs or alterations to existing buildings or new construction. The exemption is given for the amount of additional assessment to the property which is attributable to the improvement. On January 1, 1992, the abatement decreased from five years to three years, although Mayor Rendell has indicated that he advocates returning to a five-year abatement within designated enterprise zones.

The key objective of the City's economic development strategy, as noted in the annual applications to HUD for continued Community Development Block Grant funding, is the creation and retention of job opportunities available to low and moderate income residents. Funding for financial and technical assistance for employment expansion and neighborhood revitalization in the City is provided through the Philadelphia Commercial Development Corporation (PCDC) and the Philadelphia Industrial Development Corporation (PIDC), both of which operate within the City's Commerce Department. Both of these agencies receive CDBG funds; of a total CDBG allocation of \$57,999,000 for Fiscal Year 1992, \$3.9 million is allocated for economic development. Approximately 95% of the City's CDBG funds earmarked for economic development are distributed through the Philadelphia Industrial Development Corporation (PIDC), and the remaining 5% dedicated to the Philadelphia Commercial Development Corporation (PCDC).

The **Philadelphia Industrial Development Corporation (PIDC)** provides gap financing through a variety of economic development programs. Its roles include financing business expansion (through its Mortgage Loan Program), developing land resources (through its Citywide Land Development Program), attracting new businesses (through its Penn Venture Fund) and managing special projects (through its Development Services Program).

The *Mortgage Loan Program*, for example, provides long-term, low-interest financing to small and mid-size labor-intensive businesses seeking to locate or expand in the city. The program requires that a minimum of one new job must be created for each \$15,000 spent. The city imposes a lending limit of \$350,000 per project, and 60% of the project must be financed by private lenders. When used within the city's enterprise zones, the maximum loan amount is increased to \$500,000; 40% of the project's costs must be financed by private lenders, and one new job must be created for every \$25,000 spent.

In 1988, for example, the Re-Steel Supply Company used \$250,000 in PIDC Mortgage Loan funds to pay approximately one-third of the purchase price of an old steel factory that was originally run by Bethlehem Steel but was scheduled to be shut down. The factory, located in the 3500 block of G Street in Northeast Philadelphia, was updated and now employs 25 people, with an average cost per job of approximately \$10,000. The company has been steadily increasing its production, and is now making steel used in the construction of the Philadelphia Convention Center.

In North Philadelphia, two companies were loaned a total of \$190,000 in 1989 and have jointly produced over 55 jobs, costing an average of \$3,500 per position. World Apparel Products, Incorporated, borrowed \$74,000 in 1987 plus another \$99,800 in 1989 but eventually produced 65 jobs, costing an average of \$2,675 per position.

The *Citywide Land Development Program* allows firms meeting minimum standards of industrial or commercial development density and employment generation to qualify for up to an 80% subsidy of the appraised market value of industrial-park land up to a maximum write-down of \$250,000. The program assists a business in purchasing the land, and the construction is typically financed by a bank. Eligible industrial districts are located at Front and Erie, Red Lion, Eastwick, Penrose, Somerton, Grays Ferry and West Parkside.

The PIDC also administers a variety of state, federal and local programs, including programs of the Pennsylvania Industrial Development Authority, the Pennsylvania Capital Loan Fund, the Tax-Exempt Pooled Bond Program, the Enterprise Zone Loan Program, and the Small Business Administration's 504 Loan Program. The corporation often taps several state and federal programs as well as its own programs in order to assist a business on a specific project.

The **Philadelphia Commercial Development Corporation (PCDC)**, a private corporation created by the City, assists with commercial revitalization and small business development that will create or retain jobs for low and moderate income residents or prevent or eliminate slum or blight in urban communities. The PCDC manages four loan programs and four neighborhood improvement programs, and is funded through city, state and private funds as well as CDBG funds. Since its creation, the PCDC has overseen a total loan activity of almost \$33.3 million (92% of which is supported by CDBG funds) and has arranged over \$100 million in additional loans through outside lenders.

The city's economic development agencies, and PIDC in particular, have been criticized in recent years because many of the companies which are lent money using CDBG funding fail to produce the promised number of jobs within the two year time period established by the Department of Housing and Urban Development. In 1989, loan accounts were frozen for several months by the federal government until the City came into compliance with HUD rules. A recent performance report to the federal government showed that of 78 firms which were supposed to fulfill job creation requirements by July of 1991, only 22 (28%) had met

their goal; 7 had been allowed to reduce their job goals; 6 were no longer in business; and 29 (37%) had stopped repaying the loans altogether.²²

Failure of many businesses to create the required jobs in recent years is generally blamed on the recession. Failure to repay an outstanding loan or to meet job objectives usually results in sanctions against receiving government assistance or lawsuits filed against the businesses. City officials point out that although many companies have not met their employment goals, successful businesses often exceed their anticipated goals; although less than one third of the companies met their goals, approximately 80% of the jobs expected to be created by July of 1991 were produced.

PROGRAM MARKETING

Programs operating in Pennsylvania and New Jersey which offer financial assistance to businesses and lead directly or indirectly to the creation or retention of jobs in urbanized areas are described above. Equally important as the availability of funding through these programs, however, is the marketing of available resources to businesses which may settle or expand in the area. Available economic development funding programs are marketed through various agencies in the Delaware Valley region.

In the City of Philadelphia, for example, the Philadelphia Industrial Development Corporation (PIDC) offers program information materials as requested; does annual direct mailings to business and industry in certain geographic locations or within certain industrial segments; and participates in various information seminars and presentations. The PIDC also maintains ties with several organizations involved in marketing the region, such as the Private Industry Council (PIC), the Greater Philadelphia Economic Development Coalition, the Ben Franklin Partnership, the Philadelphia Electric Company's Economic Development Department and the Delaware Valley Industrial Resource Center.

The suburban counties also market available economic development programs, offer research services which profile each county's assets and opportunities, sponsor seminars and, in many cases, maintain listings of potential development sites. County economic development agencies within the Pennsylvania portion of the DVRPC region include the Bucks County Industrial Development Corporation, the Chester County Development Council, the Chester County Partnership For Economic Development, Montgomery County's Department of Commerce and Economic Development, the Delaware County Industrial Development Corporation and the Delaware County Economic Development Oversight Board. Active New Jersey economic development agencies focusing on business opportunities within the counties include the Burlington County Department of Economic

²²Lehren, Andrew, *"City Jobs Failed To Reach Promised Goals,"* Philadelphia Business Journal, Volume 10, Number 52, March 2-8, 1992.

Development, the Camden County Division of Economic Development, and the Gloucester County Office of Business and Economic Development.

CONCLUSION

Numerous federal, state and city programs are in place which promote the creation and retention of jobs within urban areas, particularly jobs within small businesses. These programs are marketed through a variety of city and county economic development agencies, which generally highlight each area's assets and opportunities and provide outreach activities in an attempt to lure businesses into areas appropriate for development, including the central city.

When compared to overall need, however, available program funding levels limit the effectiveness of available economic development programs. Program coordinators and other professionals note that existing urban redevelopment programs barely dent the existing need in urbanized areas. Economic development tools must provide additional capital, through such things as venture capital or second mortgage assistance programs, in order to allow the financial community to leverage development. Additional financial, educational and social investment into the nation's urbanized areas is critical, as well as better coordination of existing programs in order to most effectively utilize limited resources. In recognition of the current shift from a manufacturing base to a service-sector economy, existing economic development programs should also be expanded to support and promote service sector employment as well as manufacturing jobs, which has been their traditional focus.

The programs with perhaps the greatest potential for attracting jobs to urban centers are federal and state enterprise zone programs, particularly those that combine financial incentives with urban fix-up and clean-up incentives. It is clear that neither tax incentives nor improvements to urban neighborhoods will singularly solve current urban problems. Incentives within enterprise zones must include financial incentives, such as low-cost financing and federal, state and local tax incentives. It is equally important, however, to improve the overall image of the area by improving sanitation services and police and fire protection and reducing crime, and to provide social services such as job training, youth activities, improved housing and day care, in order to attract prospective employers into urban neighborhoods.

In addition to the existing deterrents of crime, drugs, abandonment and its overall urban image, another challenge faced by the City of Philadelphia involves the differential tax structure between the city and its suburbs, which makes it more expensive for prospective employers to locate within the urban core. While city proponents may argue that the benefits of locating within the city offer some compensation for the increased cost of an urban location, the taxation issue must be addressed and resolved if the city is to remain competitive within the region.

An important consideration must be the types of jobs created within urban areas and the ability of the local work force to meet the needs of prospective employers, since the greatest benefit to the city can be realized if city residents are able to work in positions created within urban neighborhoods. In their study of Center City, the Philadelphia City Planning Commission concluded that the investment climate in Center City should be maintained to ensure job creation. The Center City Plan recommends the creation of a voluntary Neighborhood Employment Fund to pay for expanded literacy and job training programs.

Mayor Rendell, in recent testimony before the United States House of Representatives Subcommittee on Economic Stabilization, noted that enterprise zones must offer not only job creation and retention but also the potential for job advancement, adding that incentives must be provided to businesses to offer employees advanced training and to enhance the school-to-work transition of residents within the zones.

CHAPTER V

WHERE CAN WORKERS LIVE?

As employment in the Delaware Valley has decentralized, suburban employers have found it increasingly difficult to attract and retain a qualified work force. One reason for this difficulty is the lack of affordable housing opportunities located in close proximity to suburban employment centers.²³ A study completed by the Delaware Valley Regional Planning Commission in 1990 found that a median-income household could not afford to purchase the median-priced housing unit in 81% of the region's municipalities (see Figure 3).²⁴ Employees earning less than the annual income used in the analysis (\$38,300) included clerical staff, accounting clerks, computer operators and analysts, nurses, janitorial staff and truck drivers, as well as other staff critical to the day-to-day operations of many suburban employers. Complicating the problem, suburban areas within the region that contained an affordable housing stock were often not located near large suburban employment centers, and had weak transportation linkages to those centers.

This lack of affordable housing and the consequent difficulties suburban employers encounter in maintaining a qualified work force may impact negatively on the economic vitality of the region. In job-rich suburban areas, programs and policies which facilitate the production of both owner-occupied and rental housing opportunities that meet the needs of workers at various income levels are necessary. This chapter investigates various methods of increasing affordable housing opportunities in proximity to existing suburban employment centers, such as are located in suburban Montgomery, Chester and Mercer Counties.

Various tools and incentives which could potentially facilitate affordable housing development in and around suburban employment centers include revisions to traditional municipal zoning regulations, mixed-use development, linkage programs, mandatory provision of affordable housing, and employer-assisted housing programs. At the same time, it must also be recognized that there is a great deal of vacant land in Philadelphia, already owned by the City's Redevelopment Authority, that is close to the region's greatest concentration of employment and is already served by excellent transportation. This land should be redeveloped as part of a regional strategy to minimize suburban sprawl, loss of farmland and open space, high infrastructure development costs, and long journeys-to-work.

²³Joint Center For Housing Studies, Harvard University, *The State of The Nation's Housing*, 1990, Cambridge, Massachusetts.

²⁴DVRPC, *"Homeownership: A Vanishing Dream?"*, November, 1990, page 2.

REVISIONS TO MUNICIPAL ZONING REGULATIONS

The most powerful planning tool controlling land use is municipal zoning. Many of the problems now faced by lower-paid workers attempting to locate affordable housing close to suburban employment centers can be traced directly to zoning or land development requirements imposed by local officials, based on their desire to attract commercial, industrial and low-density residential development to their community. Given diminishing levels of state and federal financial assistance and local reliance upon property taxes, municipalities now compete to attract the revenue-generating commercial or industrial developments requiring relatively fewer municipal services, often at the expense of higher-density, more affordable residential development.

Zoning designations could, however, be used to counter the current trend and encourage the construction of housing which is appropriate for the entry and middle-level work force. Zoning techniques which could provide an incentive for the construction of affordable housing include reducing regulatory barriers to the production of additional affordable housing; providing bonus densities to developers willing to produce affordable units; relieving developers of various impact fees if affordable housing is built in conjunction with employment centers; and offering streamlined review processes and review priority to mixed-use projects or projects which include affordable housing.

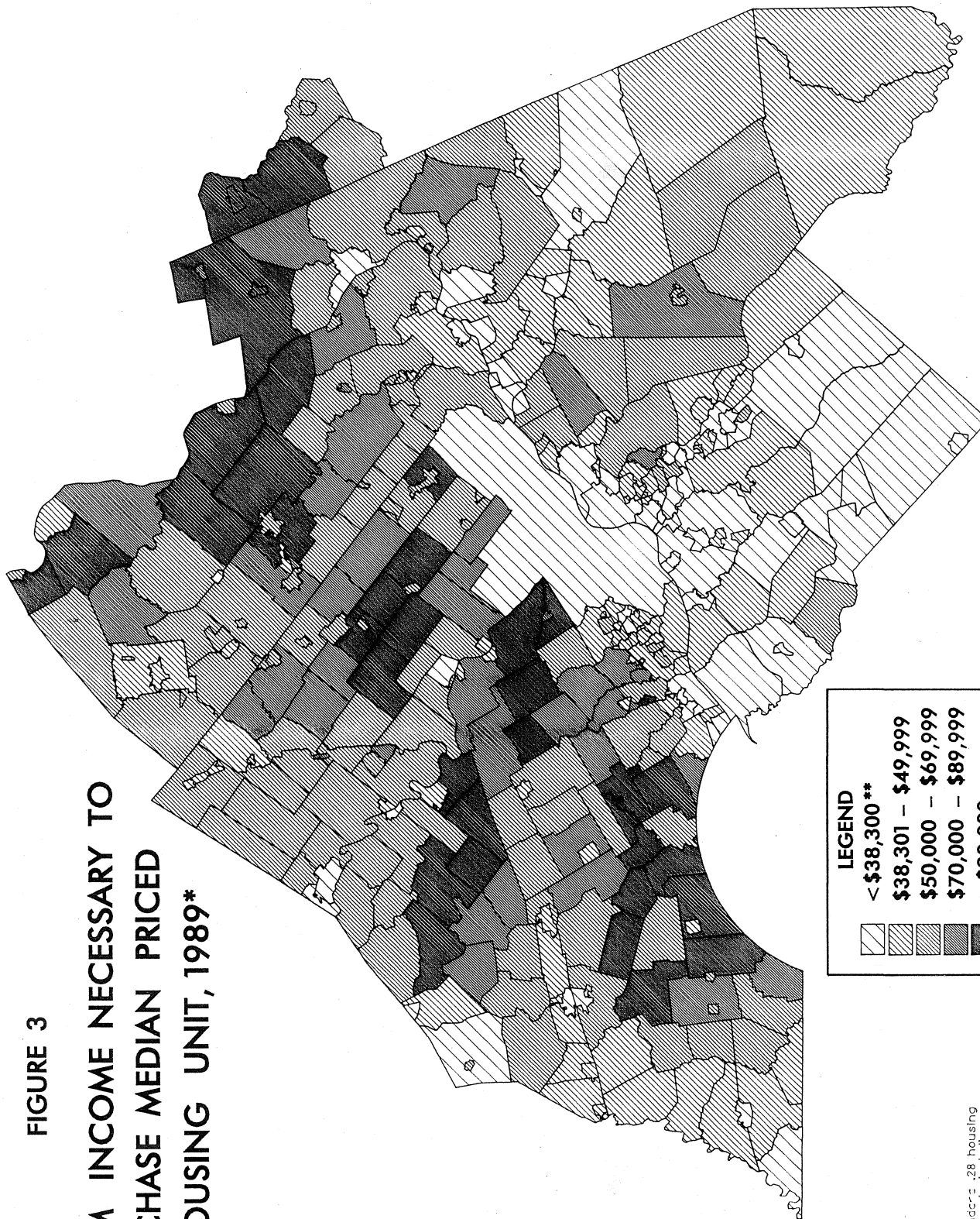
The most significant local regulatory barrier is the lack of land zoned for medium and high-density residential development in areas served by the appropriate water, sewer and transportation infrastructure. Since the cost of land is the highest single component of housing cost (representing over 45% of the total development cost in both New Jersey and Pennsylvania) the number of units which a developer is allowed to construct per acre severely impacts on the overall project cost. In Montgomery County, a 1985 study determined that there was only one-quarter of the properly zoned land that would be needed to meet the anticipated demand for medium to high-density housing through the year 2000.²⁵ The National Association of Homebuilders maintains that increasing the allowable density on a site from 3 units per acre to nine units per acre can decrease the total home cost by about 9.3% by reducing site development costs.²⁶

The elimination or reduction of barriers to the construction of affordable housing development common in many local development ordinances could also significantly impact upon the ability of developers to construct affordable housing units in suburban municipalities. Numerous studies have concluded that local and state regulation and the

²⁵Montgomery County Planning Commission, *"Reducing Local Housing Costs: The Local Government Role,"* 1985, page II-7.

²⁶Final Report of the Pennsylvania Economic Development Partnership's Committee on the Housing Industry, May, 1990, page 44.

FIGURE 3
MINIMUM INCOME NECESSARY TO
PURCHASE MEDIAN PRICED
HOUSING UNIT, 1989*



LEGEND

[Light Gray Box]	<\$38,300 **
[Diagonal Lines Box]	\$38,301 - \$49,999
[Cross-hatch Box]	\$50,000 - \$69,999
[Dark Gray Box]	\$70,000 - \$89,999
[Black Box]	> \$90,000

** Median income for four-person household in Philadelphia Region as of January, 1990, as estimated by the U.S. Department of HUD.

* Assumes standard 28 housing cost/income ratio, including mortgage principal and interest, taxes and insurance.

SOURCE: Delaware Valley Regional Planning Commission

overall length and complexity of the development process can be significant disincentives to affordable housing construction. In 1991 the Advisory Commission on Regulatory Barriers to Affordable Housing, a commission appointed by the Secretary of Housing and Urban Development, concluded that exclusionary, discriminatory and unnecessary land use regulations raise housing costs in some communities by as much as 35%, and constitute a formidable barrier to affordable housing.²⁷ Local developers maintain that unnecessary, redundant regulation accounts for 30% of the cost of new housing.²⁸

Examples of these barriers include high lot frontage and setback requirements; excessive design standards; unreasonable impact fees, off-site improvement requirements, mandatory dedication of land or other exactions; and limitations or regulations forbidding non-traditional housing alternatives such as shared housing, accessory apartments or conversions of commercial uses to residential uses.

Officials in suburban municipalities should carefully review their zoning ordinances and revise them as appropriate to allow higher density residential development on land with the appropriate infrastructure in place. Flexibility in housing design should be allowed in most residential zones, allowing such techniques as zero-lot line or cluster developments. These provisions would give developers some flexibility in designing higher density, high quality residential developments. Additionally, municipalities should review and revise as appropriate existing site requirements (such as landscaping requirements, setbacks, sidewalks, curbing, street widths, lighting and parking requirements) in order to ensure that developers meet certain minimum standards but are given the necessary flexibility to use updated and less expensive construction technologies.

Municipalities should also consider offering zoning incentives (such as density bonuses or flexible development and building standards), streamlining of the review process or direct financial assistance to developers who commit to producing affordable housing units. Since the cost of the land is now the single-most expensive component of housing construction in most suburban communities, land banking, or the stockpiling of public land and the acquisition of public land for future housing developments, could also be used as an incentive, providing developers the land for free or at reduced cost in return for affordable housing development.

²⁷*Not In My Backyard: Removing Barriers To Affordable Housing*, a report to President Bush and Secretary Kemp by the Advisory Commission on Regulatory Barriers to Affordable Housing. HUD, 1991.

²⁸New Jersey Builders Association, *"The Human Environment: Housing New Jersey,"* 1990. Page 10.

MIXED-USE DEVELOPMENT

Mixed-use zoning is another tool which could be utilized to accommodate and encourage the construction of housing in proximity to employment centers. Mixed-use developments include a variety of office, retail, light industrial and residential uses within one planned development. The basic notion is that providing residences in close proximity to employment opportunities will lead to decreased commuting distances as a percentage of employees choose to live close to their job site.

In reality, however, studies have concluded that many residents living within mixed-use centers do not also work at the complex. These studies have suggested that the average American does not relish the idea of spending both work and leisure time at the same location, instead wishing to distance themselves from work. Additionally, in many instances housing built as part of mixed use projects is upscale and expensive, and unaffordable to the entry-level or lower-skilled employees who find it most difficult to locate affordable housing close to work.

Within the Delaware Valley region, Chesterbrook, located in Tredyffrin Township, Chester County, is a large mixed-use planned development completed in the early 1980's. The entire complex covers 865 acres, and includes 1.1 million square feet of office space (with a total of over 3,200 employees); 2,260 townhouses and 150 single family homes; a 120,000 square foot shopping center; a 230-room hotel; and several amenities such as a day care center, 2 swim clubs, 6 tennis courts and a community center.

A DVRPC study completed in December of 1990 concluded through interviews with management representatives at Chesterbrook that a significant number of residents do not work at the on-site employment centers. Although housing was built in close proximity to the employment center, housing in the development remains unaffordable to a majority of the employees working in the office and retail complexes.

The Middlesex-Somerset-Mercer Regional Council (MSM) concluded in a study released in 1991 that mixed-use developments can produce significant regional and local transportation benefits, provided that they contain a mixture of uses which meet the needs of employees and residents, such as day care, restaurants and shopping.²⁹ Large, dense suburban centers which integrated retail and services within the complex were found to have a high rate of ride-sharing and transit-use and increased pedestrian activity. This observation was also made regarding the Chesterbrook development. Although few employees also resided in the complex, the mixed-use development had significant positive impacts on traffic, as employees tended to remain within the development during the work day (and

²⁹MSM Regional Council, *"The Impact Of Various Land Use Strategies On Suburban Mobility,"* November, 1991.

thus stayed off of the surrounding highway network) and residents tended to remain within the complex at night, completing shopping trips and errands at on-site establishments.

Mixed-use development is allowed under both the Pennsylvania Municipalities Planning Code and the New Jersey Municipal Land Use Law (MLUL). In Pennsylvania, the Municipalities Planning Code authorizes mixed-use development in Section 604, where it dictates that a zoning ordinance must be designed to accommodate reasonable overall community growth, including residential as well as nonresidential uses. The 1988 amendments to the code also emphasize in Section 701 that within a planned residential development municipalities should encourage innovations in residential as well as non-residential uses in order to meet the growing demand for housing and other uses.

The New Jersey MLUL specifically defines a planned unit development as any area with a minimum acreage of 10 acres that is developed as a single entity according to a plan which contains one or more residential clusters as well as some combination of public, commercial or industrial uses. The New Jersey State Development and Redevelopment Plan advocates the establishment of mixed-use centers as an alternative to the current land use pattern of suburban sprawl.

The large-scale nature of mixed-use developments, however, makes them imposing to local officials and residents, who often view them as more threatening than small, piece-meal development of the same property. Proposed mixed-use developments may also occupy property in more than one municipality; the developer may therefore find it difficult if not impossible to obtain the necessary planning and zoning approvals from all affected jurisdictions in a reasonable amount of time. Although both the New Jersey MLUL and the Pennsylvania MPC provide for voluntary joint planning and zoning between municipalities, such cooperative planning efforts are rare, given the competition for tax ratables prevalent in both states.

Mixed residential and commercial developments apparently will not resolve the suburban mismatch between the location of affordable housing and jobs, since many of the housing units produced within these centers are unaffordable and experience has shown that few residents work within the same complex. Mixed-use development can, however, positively impact on regional and local transportation patterns, producing less congestion than piecemeal development of the same property and encouraging transit use and the development of ride-sharing programs.

MANDATORY MUNICIPAL PROVISION OF AFFORDABLE HOUSING

One method of ensuring that municipalities work towards providing a share of the regional need for affordable housing is to make such action mandatory, either through action by the courts or by the state legislature. Planning for affordable housing has been mandatory in New Jersey since passage of the Fair Housing Act of 1985, after previous actions by the State Supreme Court.

The State of New Jersey adopted the Fair Housing Act in 1985, in response to the State Supreme Court's Mount Laurel housing decisions. Through two separate decisions, the court held in 1975 and 1983 that municipalities throughout the state had an obligation to provide for a fair share of their region's affordable housing needs. In their 1983 decision, the court responded to a lack of municipal compliance with their general 1975 mandate by assigning a numerical allocation of low and moderate income housing need to each municipality; requiring the development of a Fair Share Allocation formula; and allowing builders to challenge local ordinances as exclusionary and seek "builders remedies" through the courts. These "builders remedies", if approved, permitted builders to develop high density residential projects in municipalities not found to be providing their fair share of affordable housing.

The Fair Housing Act of 1985 was adopted under pressure from the courts, developers and municipalities, because of the high densities allowed under builders remedies imposed by the courts and the length and cost of participating in an exclusionary zoning law suit. The Act established the Council on Affordable Housing (COAH), which was required to establish a methodology by which to assign housing need, adopt rules establishing a process to review municipal fair share plans, and establish criteria by which a municipality would design an affordable housing plan.

The Council on Affordable Housing defines housing regions, estimates the present and prospective need for low and moderate income housing at the state and regional levels, and defines criteria for determining the fair share for each of the states 567 municipalities. Housing need allocations were first developed by COAH in 1987, and will be revised in 1993. Fair share numbers are assigned based on a number of factors, including employment in an area, available vacant land, and characteristics of the existing housing stock.

New Jersey Municipal Land Use Law requires that any municipality that enacts a zoning ordinance must first adopt a master plan; this master plan must at a minimum include a land use element and a housing element. The Fair Housing Act assigned responsibility to COAH for reviewing and approving housing elements, in which localities are required to specify how their fair share of the regional housing need can realistically be met. Municipalities must provide a realistic opportunity for the production of their fair share of affordable housing, through such measures as reviewing and revising zoning and subdivision requirements which may act as barriers to affordable housing development; establishing housing rehabilitation programs; and adopting inclusionary zoning, where developers are allowed increased densities in exchange for a set-aside of 20% of the housing units as affordable. In 1991, the Council was also charged with developing rules for imposing linkage fees, after the state supreme court ruled that such fees were valid.

Participation in the COAH process by municipalities has been limited to date. Although planning to meet the housing needs of the region is mandatory, the compliance process is market-driven; municipalities generally only file housing plans under threat of litigation by a developer challenging their zoning ordinance as exclusionary. As the housing market slows,

developers are less anxious to build high-density residential projects, so both the threat of litigation and compliance with the Mount Laurel mandate diminishes.

The prospect for enforcing a similar housing mandate in the Commonwealth of Pennsylvania has been debated in many forums. No clear legislation requiring the provision of affordable housing exists, although the Municipalities Planning Code states that if a community decides to implement a zoning ordinance it must first define community development objectives (in either a comprehensive plan or a formal statement by the municipality) that include consideration of the "need for housing, commerce and industry"³⁰ and that local zoning regulations must provide for all basic housing types within the community and allow for reasonable community growth.³¹ The 1988 amendments to the MPC also require that local comprehensive plans should include strategies "to meet the needs of present residents and of those individuals and families anticipated to reside in the municipality, which may include ... the accommodation of new housing in different dwelling types and at appropriate densities for households of all income levels".³²

However, the Pennsylvania planning code does not require that municipalities either adopt a comprehensive plan or enact a local zoning ordinance. The Commonwealth's courts, while requiring that localities provide for a variety of housing types within their boundaries, have been reluctant to discuss affordability. Although language in the MPC (and particularly its 1988 amendments) raises questions regarding the intent of the Legislature regarding local responsibility for meeting regional affordable housing needs, the issue remains unresolved.

In the 1991 study entitled "Building The Dream: Solutions For Affordable Homeownership," DVRPC recommended that the Pennsylvania legislature should require municipalities to develop comprehensive plans that include a means to provide a share of the region's housing needs, and that the Commonwealth take the lead in establishing the goals, policies and standards for defining regional and local housing needs. The report also recommended that both New Jersey and Pennsylvania link eligibility and priorities for state funding (such as transportation or infrastructure funding) to local attempts to meet their fair share of the region's affordable housing needs. Recently, the Pennsylvania State House Select Committee on Land Use and Growth Management endorsed these recommendations in its report of Hearings, Findings, and Recommendations.³³

³⁰Pennsylvania Municipalities Planning Code, Act 247 of 1968 as amended by Act 170 of 1988, Article VI, Section 606.

³¹Ibid, Article VI, Sections 604(4) and 604(5).

³²Ibid, Article III, Section 301(2.1).

³³Pennsylvania House Select Committee on Land Use, *"Report Of The 1991-92 House Select Committee On Land Use And Growth Management,"* June 1992.

HOUSING LINKAGE PROGRAMS

Another tool which has been utilized in certain areas to provide affordable housing and community services near employment centers is housing linkage. Various communities (such as San Francisco and Boston) require developers of large office or commercial projects to build or contribute to the production of residential units that will house prospective employees.

In San Francisco, for example, two linkage programs have been adopted which require certain developers to build or finance housing for low-income groups. The original program, adopted in 1981, relied on provisions of the California Environmental Quality Act (CEQA), which enabled cities to impose requirements in order to improve the quality of the environment, as its legal justification. This program represents the first example in the country of a development linkage program. In 1983 the California legislature amended the CEQA to limit impact assessments to only those that affected the physical rather than social environment, invalidating San Francisco's housing linkage program.

In 1985 the city re-enacted its linkage program, based this time on the local power to regulate land use and the general power to protect the health, safety and welfare of its residents. San Francisco's linkage programs have generated over \$28 million in developer contributions and resulted in the construction of over 5,400 housing units, 62% of which are affordable to low or moderate income households. Any developer of office buildings over 50,000 square feet is required to contribute, and credits can be accumulated by actually constructing new housing, providing financial aid to a housing developer, or by paying an in-lieu fee of \$5.34 per square foot of new office space to a Home Mortgage Assistance Trust Fund.

In Boston, a linkage program adopted in 1983 requires developers of large commercial projects to make a contribution of \$5.00 per square foot of office space over 100,000 square feet to a Neighborhood Housing Trust. The developer may choose to either contribute funds or actually build housing units to be occupied by low or moderate income city residents. Between 1983 and 1988, over \$45 million was paid or committed by commercial developers to housing development. Seventy-five percent of all developers chose the housing creation option, spending over \$21 million by 1988 to create 2,307 units, of which 79% are affordable to low or moderate income households.

Additionally, an amendment to the linkage ordinance in 1986 required commercial developers in Boston to pay \$1.00 per square foot as a "jobs linkage" program, contributing directly to Neighborhood Jobs Trust Fund or creating and operating its own jobs training program for city residents. Between 1986 and the end of 1988, \$2.5 million was contributed by developers to the city for job training. Boston will also be applying the linkage requirements to the new Boston Garden to be constructed in the city, which will yield millions of dollars for affordable housing and job training programs.

Within the DVRPC region, the State of New Jersey now allows municipalities to enact ordinances which require developers to pay a fee to be used towards the production of sound affordable housing. In March of 1991, the New Jersey Supreme Court ruled that mandatory housing linkage fees were valid in New Jersey, given that municipalities are mandated by the Fair Housing Act to provide for a fair share of the region's affordable housing needs. At the same time, the court assigned to the Council on Affordable Housing (COAH) the responsibility for devising rules concerning affordable housing linkage fees. Municipalities are therefore now able to charge developers of non-residential and market-rate residential projects a fee (based on square footage) which is then used to produce affordable housing. A fair share housing plan from the municipality must have been certified by the Council as representing a realistic opportunity to fulfill local fair share housing obligations, and housing impact fee ordinances and expenditures of impact fee funds must comply with COAH's rules.

Critics, particularly the New Jersey building community, charge that housing linkage fees unfairly place the burden of fulfilling the mandates of the Fair Housing Act on developers. Given the COAH methodology of assigning higher housing obligations to communities which contain a high number of employment-generating uses, proponents counter that developers of non-residential uses are partially responsible for municipal affordable housing obligations. One problem with relying on housing linkage fees for use in producing affordable housing is that collection of a housing linkage fee is dependent on the market; as development slows, as it has in recent years, the amount of the fees collected decreases proportionately.

Mandatory linkage programs in cities such as Boston and San Francisco have been successful primarily because of the strong attraction of those cities for development and the relative lack of affordable housing for employees. Other types of linkage programs involve either voluntary linkage (whereby developers can voluntarily contribute towards meeting local housing needs in exchange for incentives such as increased densities) or negotiated linkages. The Pennsylvania Economy League, in a 1989 study considering the prospects for linking commercial and community development in Philadelphia, concluded that imposing a linkage fee on city developers would interfere significantly with the city's ability to compete with suburban locations for economic development. While developers may be willing to pay linkage fees in order to develop in the suburban counties, the collection of fees or construction of affordable housing will be market driven, and will not generate significant revenue when the economy slows, as has been the case in New Jersey. Additionally, no current enabling legislation exists in Pennsylvania which specifically allows communities to charge such fees, since the Commonwealth's impact fee language within the Municipalities Planning Code allows only transportation impact fees.

EMPLOYER-ASSISTED HOUSING

One means of ensuring that workers will be able to locate affordable housing around suburban employment centers which relies on participation by the private sector is employer-assisted housing. In areas where a lack of affordable housing has severely affected

the ability of employers to secure and retain a qualified work force, employers have begun to offer housing incentives as a part of their overall employee benefits packages. Various approaches have been adopted which can generally be classified as methods which address either the demand side of the problem (those which assist employees that need housing in being able to afford existing units) or the supply side (those which lead to the actual production of affordable units). Demand-side programs include group mortgage origination programs; programs which provide closing cost assistance, downpayment loans or group mortgage insurance; mortgage guarantee programs; mortgage buy-down programs; and programs in which employers purchase mortgage-backed securities. Supply-side options include housing site subsidies; construction financing programs; cash contributions for housing construction; and programs offering purchase guarantees to housing developers (eliminating the risk of not being able to sell all the units by a certain date). The DVRPC 1992 employer survey indicated that only 4 of the 25 of area employers that responded are currently offering housing assistance to employees.

Housing relocation assistance is the most commonly offered form of employer assistance for housing. Relocation assistance (including selling an existing home, providing down payment assistance, or paying for moving expenses) is typically offered to upper and middle management level staff at larger companies as a hiring incentive. Within this region, several large firms, including McNeil Laboratories and Unisys, offer relocation packages as an incentive for hiring or relocating management. The problem with relocation assistance, however, is that this form of assistance is a one-time benefit, not effecting the overall affordability of the home. Additionally, the assistance is usually offered only to upper-management level staff, not entry-level or technical staff most affected by the affordability problem.

Another type of assistance which could be offered by employers is down payment assistance. This form of assistance is based on the assumption that many employees can afford to pay the carrying costs of owning a home (mortgage principle, interest, insurance and property taxes) but cannot afford to save towards the down payment and closing costs, especially given high rental costs prevalent in today's market. Some firms have provided reduced interest loans or deferred loans to be used towards a down payment and paid back over time. Still others offer a forgivable loan, which does not have to be paid back if the employee remains with the firm over a specified period of time. This type of down payment assistance can be particularly helpful to employers concerned about employee turnover and the resulting retraining costs, since it provides an employee with an incentive to remain with the firm.

Within the region, down payment assistance is provided by Princeton-based Dwight and Church (the manufacturers of Arm and Hammer baking soda), which provides forgivable loans of up to 15% of the purchase price of a home in Princeton. The program, initiated in 1988, was originally limited to certain Princeton condominium complexes containing a mixture of market-rate and affordable housing units, but was expanded in 1989 to apply to any housing in either Princeton Borough or Princeton Township. As conditions of the loan,

the employee must continue to be employed by the firm, use the home as their principle residence and agree to participate in civic and community activities (including attending local hearings and voting in local elections) for five years. The company believes that the loans, which are forgiven after the five-year period, are more than offset by reduced employee recruitment and training costs.

Some employers may find it beneficial to offer employees monthly subsidies for mortgage or rental assistance as opposed to assistance with the downpayment. North Penn Hospital, located in Lansdale, for example, offers nurses who agree to work a certain shift (11 P.M. to 7 A.M.) the option of participating in a program which pays up to 3 points on a newly established mortgage or reduces monthly mortgage interest rates by up to 3 interest points, to a maximum monthly subsidy of \$300 per month. The program has proven to be cost-effective: the cost to the hospital, converted to an hourly rate, is approximately \$1.50 per hour for participating employees, as compared to the \$16.00 per hour beyond standard hourly rates that the hospital had been paying to a temporary service to provide nursing coverage during this shift.

The University of Pennsylvania offers two mortgage guarantee programs to its employees. Through the first program, begun in 1965, the University guarantees 100% of the mortgage loan for single-family home purchases made within designated neighborhoods that are within a radius of approximately one mile of the University. Prospective purchasers apply for a mortgage through a specific bank at current market interest rates, and must meet the bank's lending criteria. The University basically assumes full risk for the loan, making it easier for prospective homebuyers to qualify to purchase. The incidence of default on these loans is minimal, so the cost to the University essentially equals only the cost of program administration, which can be combined with other functions. The original mortgage guarantee program has covered approximately 1,200 mortgages, currently provides approximately \$13 million in guarantees, and has had only one default, for approximately \$6,000.

The University has also joined forces with the Pennsylvania Housing Finance Agency (PHFA) to offer a second version of its guarantee program to eligible employees. University employees who are first-time homebuyers and are income eligible (based on PHFA's standard criteria) may apply for a PHFA mortgage covering 95% of the purchase price of a home located within a wider area surrounding the University than the original program. The University of Pennsylvania again provides a guarantee for each loan, and PHFA-issued bonds are used to fund mortgages with interest rates approximately 2% below market rates. Closing costs are also reduced. Through these mortgage guarantee programs, costs to potential homebuyers have been reduced, the school's work force has been stabilized and neighborhoods surrounding the University have been improved and stabilized.

Other employers could address the supply-side of the affordable housing issue, becoming involved in financing housing ventures. Larger firms can use their short-term borrowing capabilities to assist developers unable to secure construction financing at reasonable rates.

Additionally, some employers have excess land suitable for housing development or could purchase additional land and sell or lease it to a housing developer for a reduced cost. This type of employer-assistance in housing development, however, is not common in the Northeast; in this area, employers do not yet view the situation as critical enough to warrant such participation.

The State of New Jersey offers a statewide employer-assisted housing program, the Homeownership for Performing Employees (HOPE) Program, to employees with established work records through the New Jersey Housing and Mortgage Finance Agency (NJHMFA). In order to participate in this program, employers must demonstrate financial security to the NJHMFA. Participating employers then select eligible employees based on their own criteria, using such factors as length of service, performance evaluations, and the ability of the employee to accumulate a down payment. Established guidelines must match state and federal income guidelines. Mortgages provided through the HOPE program are offered at a reduced interest rate (currently 7.875%) and are graduated over a period of several years, providing additional purchasing power to prospective employee purchasers who have high earning potential. Twenty-one employers statewide are now participating in the HOPE program, including businesses in Camden, Trenton and Medford.

Employer-assisted housing programs offer a realistic means for employers to alleviate some of the difficulties encountered by employees seeking to locate affordable housing which in turn can benefit employers by establishing a stable and accessible work force. Within the Delaware Valley region, however, few employers consider the lack of affordable housing to be of great enough significance to warrant the investment in such programs. Few respondents to a DVRPC survey conducted in the Spring of 1992 felt that a lack of affordable housing significantly affected their ability to attract workers, and none of those employers offered housing assistance other than standard relocation assistance for higher-level employees. Employers in this region look more often to assisting their employees in traveling between their work site and their home (by providing shuttle services or van pools or by participating in the TransitChek Program, for example), as opposed to bringing the worker closer to the job.

CONCLUSION

This chapter has discussed various tools which could facilitate affordable housing development in and around suburban employment centers. The most significant of these tools is the review and revision by suburban municipalities of traditional zoning regulations which in many cases have stymied the development of affordable housing. Barriers to affordable housing development erected through local zoning regulations include a lack of medium and high density residential zoning in areas served by the appropriate water, sewer and transportation infrastructure; redundant regulations that lengthen and increase the complexity of the approval process; unnecessarily high frontage or setback requirements; excessive design standards; unreasonable impact fees, mandatory dedications or other

exactions; and the exclusion of non-traditional housing alternatives such as shared housing, elder cottages or residential conversions.

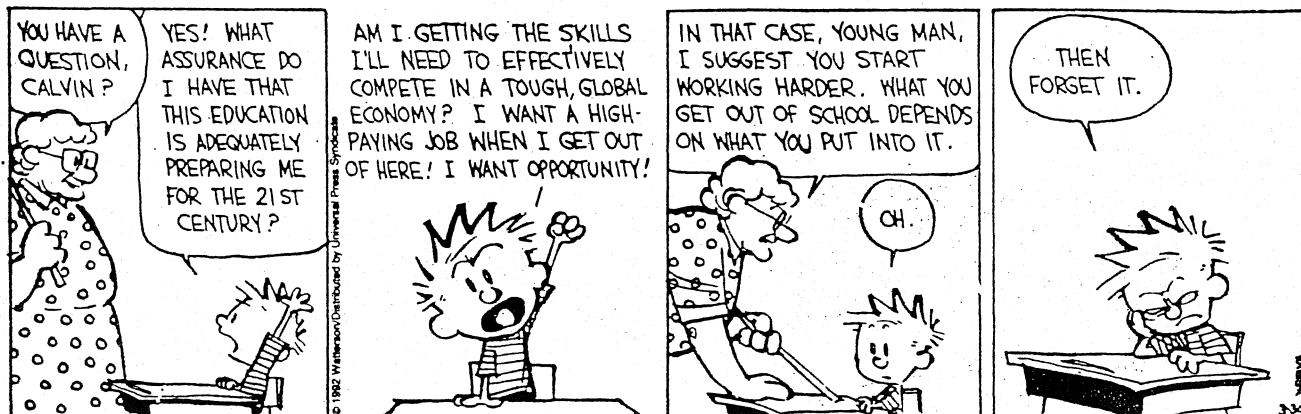
Suburban municipalities should review their zoning and subdivision ordinances to ensure that regulations protect the welfare of current and prospective residents but also give developers the flexibility necessary to utilize newer, cost-effective construction technologies and produce quality housing at affordable prices. Zoning incentives could be offered to developers willing to provide affordable housing, such as bonus densities, revised design standards or streamlining of the development review process. Allowing and encouraging mixed-use development within zoning ordinances may facilitate the construction of affordable housing units in and around employment centers, although past experience has shown that housing built in conjunction with employment centers is often unaffordable to entry-level and semi-skilled workers and is often occupied by people who do not work in the same center.

Other regulatory techniques to increase the stock of affordable housing in suburban areas include imposing statewide mandates requiring that municipalities provide a fair share of the region's affordable housing needs or adopting housing linkage programs. While both of these techniques are now being implemented in New Jersey, use of either would require state-level legislative changes in Pennsylvania. Employers could assist in securing affordable housing in close proximity to the workplace for their labor force by guaranteeing mortgages; offering housing benefits such as down payment assistance or mortgage interest rate buy-downs; or assisting housing developers by reducing construction financing costs or land costs. In this region, however, few employers at this time appear to view the lack of suburban affordable housing as being critical enough to warrant their investment.

CHAPTER VI

CREATING THE WORK FORCE OF THE FUTURE

CALVIN AND HOBBS



According to U.S. Department of Labor estimates, there will be approximately 17 million new jobs established in the United States between the years 1988 and 2000. Most of this growth will occur within the service sectors while jobs in manufacturing are expected to decrease by 316,000 over this twelve year period. These continuing changes in the nation's industrial base will precipitate a change in occupations by the year 2000. Many of the jobs requiring the lowest level of skill will disappear, including miner, assembler, machine setter and agricultural worker.³⁴ On the other hand, high skilled occupations such as computer scientists and health professionals are expected to experience a high rate of growth as shown in Table 14. These growth occupations will demand increased levels of educational attainment than previously required of workers. Currently, only 22% of all jobs require a college education. By 2000, this percentage is expected to increase to 33 percent. Almost half of all new jobs, however, will require only a high school degree.³⁵

Employment growth in the medium and lower skilled occupational fields, or those not requiring a college degree, will increase and job creation will be strongest in marketing, sales and administrative support. Many opportunities will exist for cooks, nursing aides, restaurant and cleaning personnel. While these jobs have traditionally been considered low skill occupations, they will demand a higher level of proficiency in basic skills than

³⁴Hudson Institute, *"Workforce 2000: Work And Workers For The 21st Century,"* June, 1987.

³⁵Pennsylvania Economy League, *"Southeastern Pennsylvania-Year 2000 Work and Workers,"* January 1992.

TABLE 14

FASTEST GROWING OCCUPATIONS 1990-2005

OCCUPATION	PERCENT INCREASE	OCCUPATION	PERCENT INCREASE
Home Health Aids	87	Psychiatric and Nursing Aides	42
Paralegals	84	Health Technicians	41
Systems Analyst and Computer Scientists	77	Special Education Teachers	40
Human Service Workers	70	Detectives	40
Subway Operators	66	Information Clerks	40
Medical Secretaries	68	Manicurists	38
Medical Scientists	65	Animal Caretakers	37
Psychologists	63	Counselors	34
Correction Officers	61	Lawyers	34
Travel Agents	61	Teachers Aides	34
Data Processing Repairs	58	Social Workers	34
Flight Attendants	57	Registered Nurses	34
Dental and Medical Assistants	54	Physicians	33
Computer Programmers	54	Actuaries	33
Therapists (Recreation, Respiratory and Speech)	53	Ticket Agents	33
Management Analysts	51	Pilots	33
Electronic and Biomedical Equipment Repairs	50	Accountants	33
Child Care Workers	49	Guards	33
Legal Secretaries	46	Teachers (Pre-school through Grade 12)	32
Receptionists	46	Electronic Technicians	32
Marketing/Advertising and Public Relations Managers	46	Construction Managers	31
Podiatrists	46	Bus Drivers	31
		Pipelayers	30

Source: Outlook 1990-2005, U.S. Department of Labor Statistics



DELAWARE VALLEY REGIONAL PLANNING COMMISSION, JUNE 1992

previously required. Therefore, it is essential that the work force of the future be literate, proficient in math and english, and exhibit job readiness skills.

FUTURE JOBS AND WORKERS IN THE DELAWARE VALLEY

A list of the fastest growing occupations in the Delaware Valley through 1995 appears in Table 15. Growth is predicted to be strongest within the service sector — especially in paraprofessional occupations such as paralegal, medical assistant and dental hygienist. Technical professions such as data processing and computer systems analysts have also been identified as high growth careers. Traditional blue collar manufacturing positions do not appear in the ranking. Overall, careers in the health field — ranging from low skill to high skill occupations — dominate job growth in the region.

A survey prepared by the Delaware Valley Regional Planning Commission was recently administered to college and non college bound Delaware Valley junior and senior high school students in an effort to gauge their interest and impressions of the jobs of the future. Students were asked to indicate whether or not they would consider entering specific careers. The jobs that were listed were all identified as growth occupations. The students were then asked to provide their impressions of these occupations. A copy of the survey can be found in Appendix B.

Most students reported that they were likely to pursue career opportunities that they perceived to be interesting. More than 70% of the respondents who chose jobs as travel agents, physical therapists and medical assistants also reported that they perceived these jobs as interesting. Although a majority of the students associated low pay and low status with these occupations, this did not daunt their interest. Careers that were identified by the students as boring — such as orderly, brokerage clerk and paralegal — generated the lowest level of interest.

Overall, students indicated that they were not interested in the occupations identified in the survey. With the exception of medical assistant, physical therapist, travel agent, computer programmer, and hairdresser, more than 50% of the students reported that they would not consider pursuing employment in the fields listed. In addition, for all occupations, at least 50% of the respondents described the occupations listed as boring. Whether this indifference can be attributed to the nature of the jobs, lack of motivation among teenagers, insufficient information about career opportunities or a combination of these factors, is not explained by information obtained from the survey. In spite of these limitations, the results bring to light several issues employers and educators may wish to consider in creating the work force of the future.

First, students need information about job opportunities in order to make informed career choices. Very often, high school counseling is reserved for the best and brightest students. Those who are less academically inclined are left to flounder with career decisions. It is reasonable to conclude that some students may have simply dismissed certain jobs on the

TABLE 15

FASTEST GROWING OCCUPATIONS

DELAWARE VALLEY REGION

1984 - 1995

<u>OCCUPATION</u>	<u>PERCENT INCREASE</u>
Paralegals	68
Medical Assistants	60
Computer Programmers	57
Data Processing	51
Computer Systems Analyst	43
Physician Assistants	43
Physical Therapists	40
Social Welfare	39
Peripheral EDP Equipment Operators	36
Dental Hygienists	36
Securities and Financial Services	36
Medical Records	35
Dental Assistants	35
Detectives and Investigators	33
Housekeepers	33
Registered Nurses	33
Brokerage Clerks	33
Employment Interviewers	33
Dental Lab Technicians	30
Cooks, Restaurant Personnel	26
Hairdressers	20
Nursing Aides	29
Air Craft Pilots and Flight Engineers	29
Opticians	29
Travel Agents	29
Dentists	29

Source: Bureau of Research and Statistics, Pennsylvania Department of Labor and Industry



survey because they lacked sufficient information about them. Career counseling can be an effective way to ensure that the work force of the future has a clear understanding of employment opportunities.

Furthermore, if the reason for apathy among students can be attributed to a lack of motivation, educators and employers must ask themselves what strategies can be implemented to motivate the future work force. Traditional incentives which are applied to college bound middle class teenagers may not produce the same results when applied to economically disadvantaged or working class teenagers. For example, a study conducted by Motivational Educational Entertainment found that black urban teenagers live in a world that is so insular that they are immune to messages from the outside world.³⁶ Mainstream approaches to education cannot be effective with a group that is disenfranchised. These students present different needs than middle class teens which may require unconventional approaches to improve motivation.

Finally, employers should be sensitive to workers' perceptions of employment opportunities if their goal is to attract qualified and motivated job candidates. A job that is perceived of as uninteresting may be difficult to fill in the future. As the total number of new workers age 16-34 is expected to decline by almost five million by the year 2000, it will become increasingly difficult for employers to hire adequately trained workers to fill these positions if they are perceived as undesirable.³⁷ Jobs which have negative connotations attached to them may need to be reorganized in order to increase job content to ensure that the work is perceived of as interesting.

BUSINESS GOES TO SCHOOL

The American business community has recognized the need to increase motivation and interest among high school students and ensure that those students have mastered basic english and math skills and are prepared to make the transition to the workplace. Students whose post-graduate plans do not include college have greater difficulty finding and sustaining a job if their academic and job readiness skills are deficient. Consequently, the worker who is ill prepared for the work force will become a problem to his employer. Many corporate leaders, recognizing the threat that the untrained worker poses to business, have initiated business/school partnerships to help circumvent these problems.

Education has long been a priority in the business community and, since 1978, corporate spending on education has surpassed corporate spending on health and human services and

³⁶Philadelphia Inquirer, *"Young Urban Blacks: A Study In Alienation,"* May 28, 1992.

³⁷Hudson Institute, *"Workforce 2000,"* June 1987.

continues to receive the largest share of corporate support dollars. In 1990, corporate contributions to schools in the U.S. totalled \$2.4 billion.³⁸

The number of partnerships between businesses and schools increased almost 400% between 1984 to 1991 — an increase from 40,000 to 200,000. These partnerships were hatched with the goal of improving the quality of the nation's work force in order to ensure that the United States retains a competitive position in the world economy. Such partnerships provide businesses with some assurance that graduates will attain a level of competency which will serve them in the work force. Secretary of Labor Lynn Martin has commented, "Employers and education must come together in a marriage of necessity if our youngsters are to be prepared for meeting the challenge of securing rewarding and well paid work".³⁹

Most of these efforts are focused on the high school level primarily because the positions that businesses find difficult to fill are most often those that require a high school degree.⁴⁰ Business/School alliances come in many forms, however, most seem to be established in poor, urban areas which present the greatest educational challenges. The partnerships add a component to the educational process that schools alone in these areas would not be able to provide. Highlights of a number of these programs from across the country are reported below.

AT & T Efficiency Development Model

The AT & T Foundation has channelled more than \$15 million into improving the quality of teaching in the technological and scientific fields. AT & T has established a program in the Atlanta Public Schools called the Efficiency Development Model. Students who participate are considered to be at risk for dropping out because of the high incidence of poverty, drug abuse and unemployment within the community.

The goal of the program is to train teachers to develop self esteem within the students while imparting skills that will make the students competitive in the job market. Teachers are instructed in strategies for addressing the psychological and developmental issues that lead to low self esteem and interfere with teaching and learning. Addressing the root causes can help to raise the self-esteem and decrease the likelihood that a student will drop out.

³⁸Ibid

³⁹World, *"Joining Forces,"* No. 3, 1991.

⁴⁰The Urban Affairs Partnership and Greater Philadelphia Economic Development Coalition, *"Keeping The Competitive Edge,"* January 1988.

The Boston Compact

The Boston Compact is a collaborative effort among community groups designed to improve educational achievement in Boston's public schools. The relationship between public schools, the Boston Private Industry Council, area colleges and universities and the AFL-CIO has been forged in order to increase the probability that teenagers will remain in school.

One of the program's components — Careers Services — pairs students with summer jobs and permanent employment following graduation. While the percentage of teenagers in this program who found employment exceeded the national average, the sponsors of the program were not convinced that the indicators that point to school improvement had improved significantly. Consequently, in 1989 the Boston Compact was revised.

Boston Compact II focuses on building links between employment and education by emphasizing post high school instruction that concludes with professional certification granted to students who participate in the program. The goal of the revised compact is to build economic security through skills mastery rather than providing employment in low skilled entry level jobs.

Jobs for Colorado's Future

IBM has played a significant role in this statewide effort which is supported by many of Colorado's private companies. A major element of the program is improving the accountability of schools at the local level. This is accomplished through policy changes.

One strategy for fostering accountability and ensuring a well-trained work force is to implement a "guaranteed graduate program." Under this arrangement, districts guarantee that their graduates have the skills that are expected of a high school graduate. Longmont, Colorado was the first school system to activate this program. If an employer finds an employee's skills to be below average, the school district will retrain the employee.

In a related effort, an agreement reached between educators and business owners in Pagosa Springs, Colorado prevents businesses from hiring drop-outs. This joint effort is intended to send a strong message to teenagers to complete their education if they want to work.

Citibank

Citibank has embarked on an effort to spend \$20 million between the Years 1990 and 2000 to improve urban schools. The company's goal is to ensure that upon graduation, students are prepared to enter college or the work force. The program has been implemented in cities throughout the country. Schools will receive the funding to introduce a school based management approach which is expected to revolutionize current teaching strategies.

Citibank has also entered into partnerships with schools in major cities. Citibank provides tutoring, job training and funds to purchase equipment. Plans are underway to develop an alternative high school for drop-outs.

Business and School Reform

The Business Roundtable is an association of chief executive officers who examine public issues which affect the economy. Their efforts to confront the job/worker mismatch has led them to identify a series of goals which they will pursue in collaboration with politicians and educators. These goals are:

- ▶ to develop a national consensus on the vision for a world-class education system;
- ▶ to insure acceptance of the national goals of improving student achievement and school completion rates and developing a sound measurement system,
- ▶ to develop partnerships with federal and state governments, educators, parents, business people and other groups to produce a new education system;
- ▶ to help shape public opinion to support a restructuring of the nation's schools and to promote more direct communication between schools and the people they serve.⁴¹

In addition to these efforts, many national business organizations are becoming involved with advocating for policy change in education. The Business Coalition for Education Reform is responsible for promoting an agenda for education reform at the national level. The agenda includes higher standards, accountability, restructured schools and interventions to help students that are at risk.

BUSINESS/SCHOOL ALLIANCES IN THE DELAWARE VALLEY

In the Philadelphia school district, a system where nearly two-thirds of the elementary school students and 40% of high school students live below the poverty line, several efforts to better address the problems of its students have been introduced. The Philadelphia High School Academies Program is a programmatic initiative which is designed to improve student performance by concentrating resources from the business community into the classroom. IBM Corporation along with companies such as Independence Blue Cross, Mellon Bank, Rohm and Haas Company, Scott Paper Company, Hunt Manufacturing, Bell of Pennsylvania Provident National Bank and ARCO Chemical Company all participate in the Program.

⁴¹Phi Delta Kappan, "Coming Up: A Decade Of Business Involvement," April, 1990.

There are 18 Academies within the Philadelphia School District. Currently, approximately 9% of Philadelphia high school students are enrolled in the Program. The Academies unite disadvantaged students with Philadelphia's business community in order to develop job skills while pursuing academic instruction in the classroom. The Academies offer specializations in business, automotive, electrical, environmental technology, sports education, health, horticulture and hotel and restaurant management. Paid work experience and intensive guidance from teachers provide a powerful incentive for students to improve their attitude, work ethic and desire to succeed. The success of the program is exhibited in the 90% attendance rate and near zero drop-out rate.⁴²

The Academies is one element in the Philadelphia School District's process of reconceptualizing and restructuring its comprehensive high schools. "Education for Employment" is a key goal of the restructuring and is being integrated into the high school curriculum. The restructuring will lead to changes in the career and vocational delivery programs. At the heart of the program is the belief that integrating academic skills with job skills is essential because the goals of preparing students for employment and academia are complementary. The school district views job training as being as important as academics.

Businesses within the region have also worked closely with school districts to initiate a number of other programs. For example, Arco Chemical Company has donated funds that are being used for restructuring and reorganizing schools through school based management programs. The Cigna Foundation has launched a project that is designed to intervene early and fully in the educational process. It focuses on educational enrichment; professional training; professional training for students, teachers and staff; and tutoring, counseling and mentoring support for students. The Hunt Manufacturing Company Foundation, IBM Corporation and Rohm and Haas Company have adopted schools and continue to provide support through contributions and employee involvement in mentoring programs. Even the Pennsylvania Convention Center Authority is involved in the Philadelphia high schools, by sponsoring a hospitality and tourism curriculum for students. There are also a number of internship training programs in the region which link students enrolled in institutions of higher learning to employers in the community. The Greater Philadelphia Economic Development Coalition has identified 46 colleges or universities, 11 two-year schools, and 34 career schools that offer some form of business-education partnerships.

In another effort, the Pennsylvania Department of Commerce has launched the Youth Apprenticeship Program. This pilot program is designed to train students to fill the ranks of metal workers, tool and die makers, machinists, welders and manufacturing engineers. Students spend three days a week in school and two days training on the job. Students are paid for the work that they perform while in training. The program began in the fall of 1991. This fall, programs will be added to the high school curriculums in Philadelphia and

⁴²The School District of Philadelphia, *"Education For Employment."*

Western Montgomery County. Funding is provided by the U.S. Department of Labor, Pennsylvania Department of Commerce and private endowment funds.

Another important component in this effort to ensure the adequacy of the future work force is to incorporate the availability of social and health services into school curriculums. Cities in School, Inc. (CIS), a national nonprofit program with programs in Philadelphia, maintains that the drop out problem is related to, and perpetuated by, the fragmentation of health and human services that are designed to assist at-risk students. The goal of CIS is to collaborate with local governments to bring the health and social services which are essential to high risk students into schools. This arrangement allows students to work with health and social service professionals to devise solutions to problems before they escalate, thereby increasing the likelihood that these students will remain in school.

The types of critical issues addressed by the program include school attendance, literacy, job preparedness, teen pregnancy, drug and alcohol abuse, self esteem, suppressed creativity and school violence.

CONCLUSION

By the year 2000, the work force will undergo significant change on both the national and regional level. Jobs in the manufacturing sector which began to be phased out in the 1970's, will continue to decline. Job growth in the service sectors will replace many of the jobs that are lost. While many of these new jobs will require a college education, more than fifty percent will be low skilled and semi-skilled positions requiring only a high school degree. Overall, technical skill requirements for these positions will not increase dramatically, but employers will demand that workers demonstrate a mastery of basic skills. Employers will continue to wrestle with the issue of finding competent employees to fill vacancies in entry level and low skill positions unless significant changes are made in training the future work force for employment. In addition, the projected decrease in the number of entry-level workers in the future is also a potential problem for employers. The declining number of workers coupled with the decline in worker skill level threatens to deliver a strong blow to employers — especially those offering low skilled and less desirable employment opportunities.

The region's ability to produce a qualified work force will impact its economic vitality and determine its competitive position in the national and international arena. Overall, the region has the key ingredients to produce a world class work force — a highly educated population as evinced by the higher than average number of college graduates, SAT scores that surpass state and national averages and low drop-out rates especially in the suburban counties.

In spite of these factors, large numbers of low and unskilled workers can be found within the region. When employers identify deficiencies in basic english, math, and job readiness skills, their concerns generally focus on high school graduates or drop-outs who pursue

employment after leaving school. Based on several studies conducted in the region, employers do not voice dissatisfaction with college educated employees nor do they indicate difficulty filling positions requiring a higher level of skill. The challenge for the region is to raise the skill level and job readiness of those who present the greatest employment problems.

Business' increasing involvement in the delivery of education and job training for this future work force is a very promising development. Business/school alliances have evolved from that of a contributor — providing money for programs and equipment — to manager — collaborating with schools to define the programs and policies that will result in a first class educational system. These partnerships are also present at the national level, where groups such as the Business Roundtable and the Business Coalition for Education Reform are promoting national school reform.

Business has taken four approaches to reforming or improving education. These approaches include helping hand relationships such as adopt-a-school arrangements, programmatic initiatives such as the Philadelphia Academies Program, compacts and collaborative efforts such as the Boston Compact, and policy changes such as the efforts of the Business Roundtable. Most of these efforts have been concentrated in poor urban areas where problems of poverty, drugs and high drop-out rates threaten to break already over-taxed school systems. Alliances between businesses and schools have allowed schools to supplement and improve the programs which they offer students. In many cases these collaborative efforts have provided students with job readiness skills that classroom instruction alone cannot offer. It is clear that public/private ventures in the delivery of education are an integral component of ensuring that students are adequately prepared to enter the work force or pursue higher education.

RECOMMENDATIONS

College education and white collar jobs are highly valued in our society. However, as a recent article on the relationship between educational reform and economic recovery asked, "Where Will All the Smart Kids Work?"⁴³ Focusing exclusively on college preparatory education ignores the fact that almost half of all new jobs created through the year 2000 will only require a high school degree.

Schools need to impart the value of alternative career options. Education for non-college bound students should include training for these low or semi-skilled fields in a context that presents these jobs as of value that will make a contribution to society. Also, as the survey of regional students indicated, these jobs must be presented in an interesting light to capture

⁴³Levy, F., and Murname, R., *Journal Of The American Planning Association*, Volume 58, Number 3, Summer 1992.

the student's imagination. In urban areas, schools must also seek to link the necessary health and social services with the education of students in need.

Society has changed dramatically but schools have not. During the 1960's and 1970's funding was available to experiment with school reform, but during the 1980's there was a return to a conservative approach to education. Recently, there appears to be renewed interest in experimenting with programs that will lead to educational reform. One project which is receiving media attention is the Edison Project. Interest in the project developed from the organizer's concern about the low achievement level of U.S. students on international tests. The effort is funded with private dollars and its goal is to create a national for-profit network of 1,000 private schools which will compete with the nation's public schools. The project's anticipated first phase development budget is \$60 million. The recent appointment of the ex-president of Yale University to head this private venture has brought a great deal of attention, but many educators are concerned that such a large-scale private program may undermine the nation's system of public schools.

On the public side, in April of 1991 President Bush announced America 2000: An Education Strategy. The focus of America 2000 is on improving public education to ensure that it is responsive to the demands of the next century. America 2000 is a strategy, not a federal program, which relies on local initiatives but recognizes the vital role that the private sector can play in education reform. In 1990 the President and governors adopted six educational goals and identified America 2000 as a strategy for achieving them, including the goals to make American schools first in the world in math and science and improve the high school graduation rate to 90 percent.

Recently, the New American Schools Development Corporation, formed to pursue the America 2000 strategy, introduced 11 programs selected out of 686 proposals to apply new ideas to public schools.⁴⁴ The winning proposals will provide a wide range of experimentation, ranging from schools in Illinois that will remain open until 10 p.m. and serve families as well as children, to Los Angeles schools where every child has three adults assigned to lend motivational support and track performance, to Maryland schools where students are grouped according to performance instead of age.

The private sector is also part of these proposals to reform public schools. Apple Computer, IBM and AT&T have promised support and equipment to combine the basics of education with modern technology.

These business/school alliances are entering a new era which will require cooperation in identifying the deficiencies in education and the work force, sharing information and resources in order to make improvements, and a willingness to introduce new programs and

⁴⁴Jordan, Mary, *"Winning Ideas Are Announced In Bid To Redesign Public Schools."* Philadelphia Inquirer, July 10, 1992.

initiatives that are responsive to changing employment demands. On a local level school districts should seek business representation when possible. School boards are responsible for funding and curriculum decisions and it is imperative that business representatives who speak for industry be available to express the concerns and interest of the business community. To supplement this effort, a formal mechanism for eliciting business' concerns regarding issues related to education and the work force should be explored by the school districts.

Efforts such as the Business Roundtable are valuable because of their integrative approach to devising strategies for restructuring schools. Formerly educators, business leaders and politicians have worked independently to solve problems related to deficiencies in worker skills. Coordination and cooperation among public and private interests can lead to solutions that are not possible when each interest acts independently.

Creating the work force of the future will require a collaborative effort among educators, the business community, job training, economic development and social service professionals, and elected officials. While each is committed to educating our youth and training the work force, these interests must now work together to create an efficient and competitive region that provides opportunities for all by bridging the gap between jobs and workers.

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APPENDIX A

DELAWARE VALLEY EMPLOYER NEEDS ASSESSMENT

=====

Your Name: _____ Title: _____
Company _____
Company Address: _____
Telephone Number: _____

1. What is the primary purpose of your business?

<input type="checkbox"/> a. Retail trade	<input type="checkbox"/> e. Government
<input type="checkbox"/> b. Wholesale trade	<input type="checkbox"/> f. Finance, insurance and real estate (FIRE)
<input type="checkbox"/> c. Manufacturing	<input type="checkbox"/> g. Services
<input type="checkbox"/> d. Construction	<input type="checkbox"/> h. Transportation/Utilities
	<input type="checkbox"/> i. Other _____
2. How would you best classify your company?
☐ Independent firm operating at one location
☐ Branch or subsidiary of a larger company which has more than one location
☐ Headquarters location with operations at several other locations
☐ Other _____
3. What is the total number of employees at your work location? _____
4. What was the total number of employees at your work location 3 years ago? _____
5. What do you estimate will be the total number of employees at your location 3 years from now?

6. How would you compare the economic climate in the Delaware Valley region as opposed to the economic climate of other major East Coast cities?
Better _____ Generally the same _____ Worse _____ No opinion _____
7. Does your company have any difficulty recruiting employees in any of the following groups?

Supervisors/Managers	yes	no	not sure	not applicable
Professionals	yes	no	not sure	not applicable
Technicians/skilled workers	yes	no	not sure	not applicable
Operators/semi-skilled workers	yes	no	not sure	not applicable
Laborers/unskilled workers	yes	no	not sure	not applicable
Sales workers	yes	no	not sure	not applicable
Office and clerical workers	yes	no	not sure	not applicable
Service workers	yes	no	not sure	not applicable
8. If you answered "yes" to any part of Question 7, what reason(s) may explain why your company has difficulty recruiting employees?
☐ Not enough applicants
☐ Poor quality of applicants
☐ Salary/wage limitations
☐ Lack of transportation to the job site

____ Lack of affordable housing in the area
____ Other _____

9. How does the quality of job applicants today compare with the quality five years ago?
More qualified _____ As qualified _____ Less qualified _____ Don't know _____

10. If your company had difficulty filling a position, would it consider hiring an untrained applicant and upgrading his/her skills through company-sponsored programs?
Yes _____ No _____ Don't know _____

11. What type of skills are required in your business (please check all that apply)?

____ Basic Math	____ Principles of supervision
____ Basic English	____ Decision making
____ Basic Reading	____ Analytical and problem solving skills
____ Communications	____ Responsible attitude and behavior
____ Word processing	____ Basic work ethic
____ Computer skills	____ Technical skills
____ Other _____	

12. Of the skills you identified as being required in your business, which do you most often find to be lacking in potential employees?

____ Basic Math	____ Principles of supervision
____ Basic English	____ Decision making
____ Basic Reading	____ Analytical and problem solving skills
____ Communications	____ Responsible attitude and behavior
____ Word processing	____ Basic work ethic
____ Computer skills	____ Technical skills
____ Other _____	

13. How satisfied is your company with area training facilities and programs?
Very satisfied _____ Satisfied _____ Dissatisfied _____

14. Does your company currently offer or contribute to any of the following benefits? (Please check all that apply):

	<u>Yes</u>	<u>No</u>	<u>No, but would consider</u>
--	------------	-----------	-------------------------------

Flexible work schedule	_____	_____	_____
Day care	_____	_____	_____
Housing down payment assistance	_____	_____	_____
Direct monthly rent or mortgage subsidy	_____	_____	_____
Employer-assisted transportation	_____	_____	_____
Educational reimbursement	_____	_____	_____
On-the-job training	_____	_____	_____
Retraining for new technologies	_____	_____	_____
Professional development	_____	_____	_____
Personal skills development	_____	_____	_____

15. If relocating your company, would you remain in this region? Yes _____ No _____
If yes, where?

____ a. Bucks County	____ f. Camden County
____ b. Chester County	____ g. Gloucester County
____ c. Delaware County	____ h. Burlington County

___ d. Montgomery County
___ e. Philadelphia

___ i. Mercer County
___ j. Would rebuild outside of this region

16. Does your company have any key concerns with respect to its work force or job training programs in the region? If yes, please describe:

The Delaware Valley Regional Planning Commission thanks you for completing this survey.

APPENDIX B

SURVEY

Please take a few minutes to complete this survey. There are no right or wrong answers. We are interested in your opinion of the jobs that are listed.

When it comes time for you to find a job, how interested are you in training for or working at the occupations listed below? Please answer according to the following code:

V = Very Interested S = Somewhat Interested N = No Interest D = Don't Know

Paralegal/Legal Assistant

Medical Assistant

Computer Programmer

Social Worker

Doctor's Assistant

Physical Therapist

Housekeeper

Nurse

Cook

Travel Agent

Dentist

Optician

Orderly

Restaurant Hostess/Host

Hairdresser

Brokerage Clerk

Sales Clerk

Computer Analyst

Flight Attendant

Computer Repairer

Psychologist

Using the terms that are listed, how would you describe the following jobs? Please use as many terms as you would like for each job.

1) high status 2) low status 3) average status 3) low pay 4) high pay 5) average pay
5) interesting 6) boring

7) much education required 8) competitive 9) non-competitive 10) difficult 11) easy

Paralegal/Legal Assistant

Medical Assistant

Computer Programmer

Social Worker

Doctor's Assistant

Physical Therapist

Housekeeper

Nurse

Cook

Travel Agent

Dentist

Optician

Orderly

Restaurant Hostess/Host

Hairdresser

Brokerage Clerk

Sales Clerk

Computer Analyst

Flight Attendant

Computer Repairer

Psychologist

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