

Jobs Idea # 14

Anchor Institutions

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Problem Statement:

“Anchor” institutions, such as hospitals and universities, can leverage their power as local investors, developers, and consumers of goods and services in order to create jobs in nearby disadvantaged communities. Beyond simply relocating jobs from one region to another, this strategy has the potential to start a virtuous economic cycle that will lead to net new job growth locally and regionally.

What’s the Big Idea?

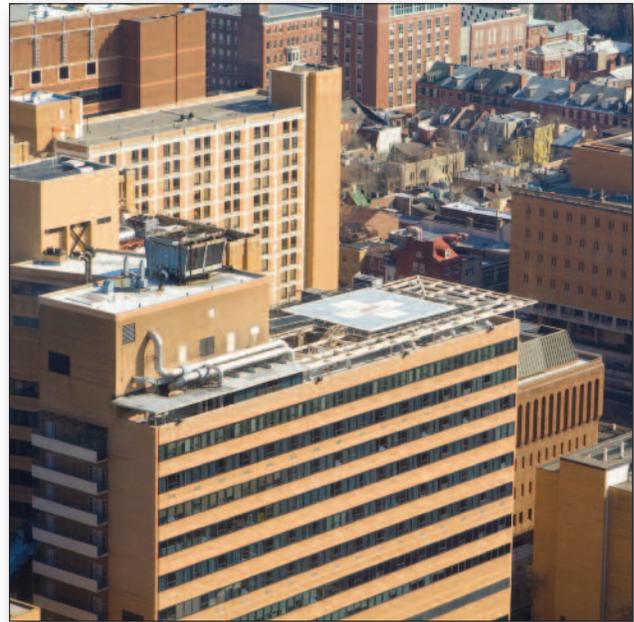
Anchor institutions are the large, nonprofit service providers and cultural and educational centers with a long history in a city. Typically among the biggest employers in a region, they include hospitals, universities, museums, nursing homes, and municipal governments. These institutions are “anchored” in place, giving them an interest in their communities (and making them unlikely to relocate). With their massive budgets comes the ability to create significant economic change.

In cities like Chicago, Cleveland, Detroit, and Pittsburgh, anchor institutions are partnering with networks of community-based organizations to identify and support opportunities for job creation. The main point of leverage that these institutions possess is their power to purchase and hire locally, although their activities as institutional investors and nonprofit developers can also impact the local economy.

How Does This Create Jobs?

Anchor institutions can create jobs in a number of ways. The most straightforward way is to shift a portion of their purchasing of food, supplies, and services to local businesses. Collaboration is critical for community-based organizations (CBOs) and anchor institutions to identify needs and job opportunities prior to training people for them. One of the drawbacks of green jobs models has been that training occurs before jobs are created, often creating a mismatch.

In the anchor institution model, training, job creation, and business incubation occur as part of the same process. For example, the Sinai Health System



of Chicago works with CBOs, economic development agencies, and business to meet workforce development needs.

This model could create jobs directly and have multiplier effects in regional economies. It creates net new jobs by identifying needs that are not currently being met by the market. The number of jobs created will depend on how it is implemented from city to city.

Anchor institutions often have multi-billion dollar endowments that could be invested in ways that help the region. Cleveland’s three largest anchors alone purchase an aggregate of more than \$3 billion in goods and services annually. University Hospitals in Cleveland is part of an effort to attract businesses that will become part of complementary supply chains in a “Health Tech Corridor” by awarding contracts to companies who relocate.

What Are the Barriers?

Securing funding to develop and scale up programs with anchor institutions is a major challenge that necessitates a collaborative approach and strong community buy-in. For new small businesses, startup

capital is a barrier that requires creative solutions. For example, Henry Ford Hospital in Detroit pays its local vendors a month in advance to provide working capital.

The level of coordination between the institutions and the community helps determine the level of success of anchor institution projects. Without good leadership and buy-in from the community and the institutions, training and investment in job-creation will be misplaced and short-lived. It is important that anchor institutions and CBOs reach out to the community and involve them in a meaningful way in the planning stages of a project to create mutual trust and buy-in. It is also important to make sure that as anchor institutions invest in neighborhoods and create new jobs, they do not become engines of gentrification.

How Can This Policy Be Implemented?

A coordinated approach across a metropolitan region is necessary to change the procurement, investment, and development strategies of anchor institutions. It is too large a task to focus on one institution or sector at a time. A regional, systemic approach would maximize job creation and strengthen the local tax base.

Local governments can focus on preventing gentrification through inclusionary zoning, community land trusts, and mixed-income housing early in the process of economic development. They can also use their land-use authority to create incentives for new businesses and industrial activity. Anchor institution activity in real estate, such as community centers and affordable housing, can be funded through

Case Study: Cleveland Model

The Evergreen Cooperative Initiative, which has been written about extensively as the “Cleveland Model,” is designed to create new jobs, specifically new employee-owned businesses. The goal is to create a network of enterprises that are tailored to fill the needs of anchor institutions, then recruit and train residents from distressed neighborhoods to participate in building these new businesses. Employee ownership helps create assets and anchor jobs in the Cleveland area while strengthening the local tax base.

The goal of the Initiative in the next three to five years is to create 10 new for-profit worker-owned cooperatives that employ 500 people in six low-income neighborhoods. In the next 15 years, the hope is that the Initiative will directly and indirectly create 5,000 new jobs in the Cleveland metro area. Two cooperatives have been launched and a third will open their doors in 2012.

One of two Cleveland cooperatives launched in 2009 is a home weatherization and institutional solar energy provider. The cooperative owns, installs, and maintains solar panels on the roofs of local anchor institutions and sells them the energy that they produce. The other is a green, institutional-scale health care laundry service. At capacity each will employ up to 75 people.

A cooperative operating a 10-acre urban farm will employ 40 people and provide its first harvest of fresh produce to Cleveland anchor institutions in Fall 2012. Each of these cooperatives serves to create community capital and wealth and help stabilize the local economy.

tax increment financing, revenue bonds, and other avenues that local government is uniquely positioned to support.

At the federal level, the Historically Underutilized Business Zone (HUBZone) program could be expanded to help businesses catering to universities and hospitals access federal contracts. Currently, the program only applies to defense contracts. More attention could be given to helping hospitals meet their obligation to invest in community health priorities under the 2010 Affordable Care Act, the Obama health care law. Under the Act, a case could be made for investment in community economic development that benefits community health.

Conclusion

Institutions that serve the public interest can be influenced in their decision making and long term strategies by legislation or by concerted efforts by community-based organizations. Anchor institutions have a powerful stake in cities and can have a large, positive impact on land uses, employment, and wealth. They should be motivated to hire, buy, and invest locally by their interest in community relations and sustainability, so that they can weather supply-chain disruptions that occur nationally and internationally. The partnerships and new jobs that come out of anchor institution initiatives will help insulate and strengthen local economies.

About Big Ideas for Job Creation

Big Ideas for Job Creation, a project of the Institute for Research on Labor and Employment at the University of California, Berkeley, with the support of the Annie E. Casey Foundation, tapped into the innovative thinking of leading experts across the nation to develop job creation proposals. Every idea had to meet the following criteria: designed for implementation by cities and/or states and will lead to net new job creation in the short-term; practical, sustainable, scalable and already tested; and all jobs created should be accessible for low-skilled workers and offer some career opportunity.

Taken together, these Big Ideas can create millions of new jobs for our country.

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Job Creation at the Federal, State and Local Level