

Reducing Income Inequality: How CDFIs Promote Job Quality

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Executive Summary

Since the Great Recession of 2007–2009, income inequality has emerged as one of the leading economic development issues in the United States. CDFIs that support job creation can help bridge this income gap by working with businesses to create quality jobs that offer fair wages, good benefits, meaningful advancement, and wealth-building opportunities.

Today, a small number of CDFI small business lenders are focused on this critical issue. The goal of this paper is to help all CDFI small business lenders and CDFI investors develop an understanding of practical approaches and tools they can use to promote quality job creation and expand CDFIs' impact in this area.

The five CDFIs in the study—ICA Fund Good Jobs, Growth Opportunity Partners (Growth Opps), New Hampshire Community Loan Fund (NH Community Loan Fund), Coastal Enterprises, Inc. (CEI), and Community First Fund (Community First)—employ a wide range of financing and development services to help business owners create quality jobs. Their tools include debt and equity products, interest rate reductions as incentives, technical assistance and in-depth advisory services to help small business owners improve job quality, mentoring, and accelerators.

Their experiences tell them that a business owner's commitment to quality job creation is critical to success. While all of these CDFIs work with growth-oriented businesses, they recognize that other businesses may have the potential to create quality jobs over the long run.

The five CDFIs face barriers that include challenges building a sufficient pipeline of qualified businesses, high costs of providing quality jobs development services, difficulties in collecting and analyzing impact data, and access to funding.

Based on our research, we make six recommendations to help advance the breadth and impact of quality job promotion efforts in the CDFI industry:

1. **Create more awareness** of how small businesses benefit when they provide quality jobs.
2. **Identify which development services interventions have the greatest impact** on quality job creation and find ways to make these services more cost effective to deliver.
3. **Identify the best business-level metrics** to measure the impact of quality job creation and create systems to collect, manage, and analyze this data.
4. **Make the case for CDFI impact in quality jobs** so that funders and investors have a compelling reason to fund this work.
5. **Consider expanding targets for quality job interventions** with the goal of increasing the pipeline of eligible businesses and broadening CDFI impact.
6. **Encourage funders** to fully support this work.

Today, a small number of CDFIs are actively promoting quality jobs. As more CDFIs get involved in this work, it will become easier to implement some of these recommendations.

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Reducing Income Inequality: How CDFIs Promote Job Quality

I. Introduction

Since the Great Recession of 2007–2009, income inequality has emerged as one of the leading economic development issues in the United States. The growing gap between the highest- and lowest-income Americans has caught the attention of organizations as diverse as the Federal Reserve Board and Occupy Wall Street.

CDFIs that support job creation can help bridge this income gap by working with businesses to create quality jobs that offer fair wages, good benefits, meaningful advancement, and wealth-building opportunities.

Based on the experiences of five CDFIs, this paper explains current approaches to quality job creation, identifies barriers to CDFI involvement in this area, and makes recommendations to expand this work. The paper is targeted to CDFIs, funders, and investors that are already supporting quality job creation, as well as those considering it.

Our research draws on the examples of five CDFIs: ICA Fund Good Jobs, Growth Opportunity Partners (Growth Opps), New Hampshire Community Loan Fund (NH Community Loan Fund), CEI, and Community First Fund (Community First). We also build on a recent paper—Moving Beyond Job Creation: Defining and Measuring the Creation of Quality Jobs (2016)—published by InSight at Pacific Community Ventures (PCV InSight).

The body of the report summarizes findings from the five case studies. The appendices include a profile of each CDFI. These profiles are integral to the report.

II. Why Should CDFIs Care about Job Quality?

CDFIs exist to create opportunities in low-income and disinvested communities. Small business CDFIs do this by creating economic opportunity. These CDFIs can increase their impact by focusing on job quality in addition to job creation.

Mission is the primary reason CDFIs focus on job quality. Additional benefits to CDFIs include community standing and portfolio quality.

Most CDFIs' mission statements do not explicitly include job quality. In fact, of the five CDFIs in our study, only one has a mission statement that explicitly mentions job quality and all but two introduced their job quality focus years after they were established (see Table 1.)

Table 1. Organizational Commitment to Quality Jobs

CDFI Name and Location	Mission Statement	Organizational Commitment to Quality Jobs	Year Established / Year Began Promoting Quality Jobs
ICA Fund Good Jobs Oakland, CA	Educate, accelerate, and invest in high-growth small businesses in order to create accessible good jobs that lead to equitable communities for all.	Primary mission	2013 / 2013
Growth Opps Cleveland, OH	Offer high-quality community development loan products, services, and solutions to growing small businesses, primarily located in underserved, low-to-moderate income communities in Ohio.	Primary mission	2015 / 2015
NH Community Loan Fund Manchester, NH	Serve as a catalyst, leveraging financial, human, and civic resources to enable traditionally underserved people to participate more fully in New Hampshire's economy.	Primary focus of business portfolio	1983 / 2002
CEI Brunswick, ME	Help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential.	Partial focus of business portfolio	1977 / 1982
Community First Lancaster, PA	Create sustainable prosperity for low-wealth communities and individuals, especially people of color and women, by aligning capital, knowledge, and advocacy to advance business ownership, housing, and community development in the communities it serves.	Primary focus of New Markets Tax Credit Program; emerging focus of business portfolio	1992 / 2013

In addition to greater mission achievement, a CDFI's quality job work can yield ancillary benefits to the CDFI. One is strengthening its reputation. CDFIs in our study observed that their communities view them as organizations that go beyond transactional relationships: these CDFIs are viewed as organizations that care deeply about their communities, clients, and clients' employees. In some cases, they become known for promoting local hires or people who face barriers to employment, and for promoting fair labor practices.

Another benefit may be stronger portfolio quality. There is a growing body of research on the impact of quality jobs on businesses. The PCV InSight report provides a list of nine studies on this topic. If quality jobs do in fact improve business performance through lower recruitment costs, higher employee retention, higher morale, and ultimately, stronger employee performance, then supporting these businesses may indirectly improve a CDFI's portfolio quality. While more research is needed on the impact of quality jobs on business performance, the five CDFI business clients we interviewed support this hypothesis, uniformly citing these four benefits and agreeing that the positive outcomes outweigh the costs of higher wages, better benefits, time-consuming performance reviews, and investment in training and recruitment.

From the Field: *Why we create quality jobs*

ICA Fund Good Jobs and **Growth Opps** want to inspire communities and other CDFIs to promote quality jobs. Both want the CDFI industry to raise the bar from creating any job to creating quality jobs that will help lower-income individuals thrive in their communities.

NH Community Loan Fund said quality jobs improve recruitment and retention, ultimately producing more resilient businesses. The CDFI contends that this is a way to mitigate a CDFI's portfolio risk.

III. What Is a Quality Job?

Before explaining how CDFIs promote quality jobs, we must first define what a quality job is.

PCV InSight offers a working definition of a quality job that is based on interviews with CDFIs, impact investors, academics, and others who promote quality job creation. PCV InSight synthesized what it heard into a single working definition that attempts to capture the spirit of its conversations. PCV InSight defines a quality job as having three or more of the following five components:

1. **A living wage sufficient to support a decent standard of living** or, at minimum, one that exceeds the median wage offered within the employer's industry.
2. **Basic benefits that increase economic security, improve health, and promote work-life balance** among workers. These include paid leave, health insurance, and a retirement savings plan.
3. **Career-building opportunities** that help employees develop the skills, networks, and experiences necessary to launch a career or advance along a career path. These opportunities can include training and mentorship—both formal and informal—and avenues for advancement within the company.

¹ See the PCV InSight report, page 12.

4. **Wealth-building opportunities** that enable and incentivize employees to build the assets they need to manage financial emergencies and achieve long-term financial security for themselves and their families.
5. **A fair and engaging workplace** that balances the priorities and well-being of employees with the needs of the business. Examples include offering flexible and predictable schedules, treating all staff with respect and dignity, actively soliciting employees' ideas to improve the business, and helping staff understand how their work contributes to the business's success.

Using this definition as a springboard, we assessed how the five CDFIs in this study define quality jobs.

The five CDFIs commonly draw on all or most of the components of PCV InSight's definition. None explicitly include wealth-building opportunities, although two promote wealth building through training on open-book management, an approach that encourages profit sharing.

Three CDFIs explicitly include a component not mentioned in the PCV InSight definition: particular characteristics of who is hired to fill a job (e.g., low-income, ex-offender, or disabled populations). PCV InSight decided to leave target populations out of the definition, arguing that this is related to the CDFI's mission rather than the quality of the job per se.

From the Field: *Who we hire*

ICA Fund Good Jobs' and **CEI's** definitions of quality jobs include hiring those who face barriers to employment.

Community First's definition includes hiring locally, as measured by commute times.

NH Community Loan Fund does not include employee characteristics in its definition but prioritizes jobs that are accessible to individuals who lack a four-year college degree.

Growth Opps, which doesn't include a target population in its definition, has begun to think more about the importance of this factor.

² Definitions of open-book management vary, but it is generally accepted to include the following components: sharing the income statement and balance sheet with most employees; sharing other data with employees (such as productivity and plant utilization/quality data); encouraging employees to use the information in their daily work; training employees to understand financial numbers; and sharing the financial results through a gainsharing program. Source: <https://www.nceo.org/articles/open-book-management>

Table 2. Quality Job Definitions

CDFI	Quality Job Definition	Wage Definition
PCV InSight	Must have at least three of five components: living wage, basic benefits, career-building opportunities, wealth-building opportunities, fair and engaging workplace	Sufficient income to afford a decent standard of living (as defined by the MIT Living Wage Calculator) or, at a minimum, pays closer to a living wage than its competitors
ICA Fund Good Jobs	Incorporates five core pathways: employment access to those who face barriers to employment, such as race, disability, gender, or a criminal background; a living wage; benefits; a supportive culture; and opportunities for advancement, such as social networking and career ladders	MIT Living Wage Calculator combined with local socioeconomic indicators
Growth Opps	Provides a living wage and at least one other benefit, such as paid leave, retirement, health insurance, or career advancement	MIT Living Wage Calculator
NH Community Loan Fund	No standard definition; customized for each business based on what is important to employees of the business (e.g., flexible schedules or paid leave may be more important than wage)	Exceeds industry median wage
CEI	Depends on community needs (e.g., scheduling or paid leave may take priority over wages); considers wages, benefits, flexible schedules, career advancement, and hiring difficult to serve populations	Depends on location (e.g., in some cases, businesses with jobs above Maine’s minimum wage may be “good” in a rural area with high unemployment, especially when other quality job factors are present)
Community First	Wages, benefits, and flexible and dependable work schedule; in some urban areas, may also include maximum commute time	US Department of Housing and Urban Development’s income limits

This range of definitions expands PCV InSight’s framework to include employee preferences and who gets hired, as well as to recognize that employees of a given business may value one or two components much more highly than others.

From the Field: Linking quality jobs with community well-being

Growth Opps and **ICA Fund Good Jobs** are interested in the links between quality job creation and household or community well-being. Growth Opps plans to study the impact of quality job creation at the household level to assess whether wages alone make a difference in health and well-being or if other social services are needed. ICA Fund Good Jobs considers ensuring that a business positively impacts its community as fundamental to its work. An example of positive impact is a business that advocates for affordable housing so that its workers can live a reasonable distance from their place of employment.

IV. How Do CDFIs Promote Quality Jobs?

While some businesses come to CDFIs with quality jobs in place, many need assistance in developing and introducing quality job components. CDFIs offer specialized, intensive development services and a range of financing products to help businesses establish and achieve quality jobs goals.

Development Services

CDFIs offer an impressive range of non-financial assistance to businesses committed to creating quality jobs. This is true in terms of topics, delivery mechanisms, and service providers. Assistance tends to be intensive and therefore expensive to provide.

In addition to more traditional business assistance topics—financial management, marketing, and business planning—all of the CDFIs:

1. Educate businesses about the benefits of quality jobs
2. Help businesses improve job quality. Examples include:
 - a. Encourage businesses to cross-train employees to increase job flexibility
 - b. Encourage businesses to develop a corporate culture that includes soliciting and addressing employee feedback in business strategy and operations
3. Work with businesses to lower operating costs by improving efficiencies to help them cover costs of quality job components
4. Help monitor businesses’ finances as quality jobs components are introduced

Improving job quality can include helping businesses with human resource issues such as developing job descriptions, salary scales, recruitment strategies, employee performance plans, and health benefit plans.

Delivery mechanisms can include business accelerator programs, one-on-one business advising, board seats, advisory boards, and peer groups.

CDFI rely on staff and partners to deliver development services. Partners include volunteer networks, local community colleges, small business development centers, industry specific consultants, and workforce development agencies.

While many partner services are provided at no cost to the CDFIs or their business clients, there is a cost to CDFIs in the significant time they devote to managing partner relationships and matching businesses with the right partners.

From the Field: Approaches to helping businesses

ICA Fund Good Jobs leverages an extensive network of volunteers, most of whom are alumni of ICA Fund Good Jobs programs. Subsidized professional services are offered in specific cases. The CDFI's Good Employer Matrix (GEM) tool assesses hiring practices, growth rates, and company culture. (See Appendix G.) This tool serves as an entree to extensive conversations with business owners about job quality and how their companies can address community needs.

Growth Opps focuses heavily on helping with human resource issues like developing job descriptions and hiring practices, and identifying opportunities for cross training of employees. It also trains accountants and lawyers (i.e., "centers of influence" in the small business community) to become ambassadors of quality jobs.

NH Community Loan Fund focuses its assistance on employee engagement. Its Engage Employees best practices tool guides conversations on the business benefits of engaging employees and serves as a road map to help businesses chart plans to increase employee engagement (see Appendix H). The CDFI also encourages most of its business clients to establish advisory boards that can provide expert guidance. While it is labor-intensive to establish and provide guidance to these boards, the CDFI finds that they are often more effective, longer-lasting, and more economical than working with paid industry consultants.

CEI's Employment Training Agreement (ETAG) specifies a borrower's hiring, wage, benefits, and employee training deliverables. (see Appendix I) CEI staff use an ETAG Assessment tool to track progress toward these deliverables and more. CEI also provides intensive support to help businesses meet their ETAG goals.

See more about CDFI quality jobs tools and some of the businesses they support in the Appendices.

Financial Products

All five CDFIs provide debt financing. Three provide equity or equity-like products, including growth capital alternatives to debt.

Financing can be used for a wide range of business purposes, some of which are directly tied to creating quality jobs. For example, some loans are used to cover the higher payroll costs of quality jobs. These loans have no pre-payment penalty so businesses can pay them off as soon as their cash flows grow enough to cover payroll.

Many CDFIs provide financial incentives in the form of reduced interest rates or royalty payments if a borrower meets or demonstrates progress in meeting agreed upon quality job promotion targets.

From the Field: Financial incentives for quality jobs

NH Community Loan Fund provides a "good driver discount," rebating a portion of interest or royalty payments when the business moves forward along its road map to achieving deeper employee engagement and better-quality jobs.

CEI offers an interest rate reduction when a business meets goals set out in its ETAG.

ICA Fund Good Jobs may reduce interest rates when a business hires someone facing barriers to employment.

Table 3. Unique Services and Tools, and Financial Products

CDFI	Unique Services and Tools	Financial Products
ICA Fund Good Jobs	Good Employer Matrix	Debt and equity \$250,000 and above
Growth Opps	Train “centers of influence”	Debt Up to \$750,000
NH Community Loan Fund	Engage Employees best practices tied to “good driver discounts” (rebate a portion of interest earned when jobs improve) Advisory boards/CEO peer groups	Royalty financing ³ and debt Up to \$1 million
CEI	Employment Training Agreement (ETAG)	Debt; on a limited basis also provides equity and debt with equity Up to \$3 million
Community First		Debt, generally up to \$500,000 for businesses and up to \$1 million for commercial real estate; New Markets Tax Credit debt averages \$6 million

V. Which Businesses Create Quality Jobs?

We asked the CDFIs if they think certain businesses are more likely to create quality jobs than others. While too early in the CDFIs’ collective experience to generalize responses, it is instructive to look at the similarities and differences across the five organizations.

Based on the CDFIs’ experiences, the single most critical factor is the business owner’s commitment to job quality. Without this commitment, even growth-oriented businesses with the economic potential to create high quality jobs will likely fail to do so.

From the Field: *Business owner commitment*

NH Community Loan Fund looks for businesses with high growth potential that want to grow their companies by growing their people and want help finding ways to implement progressive management strategies tied to the bottom line.

Growth Opps works with business owners who are interested in educating and investing in their employees rather than waiting for someone else to train them.

CEI considers a business’s leadership commitment to quality jobs when selecting ETAG candidates.

ICA Fund Good Jobs emphasizes that a business owner’s commitment is key to success.

A look at the five CDFIs found that none of them have size, industry, or age in their funding requirements, although there are concentrations in some portfolios.

Among the CDFIs, there is some agreement that to be in a position to create quality jobs, businesses should be growth-oriented and have \$500,000 in annual revenue and at least five employees.⁴

In terms of industries, there were no real commonalities among the five CDFIs. Some do not target specific industries. For example, Community First has no industry targets and will work with any business that lacks access to credit. Among those that do, the industries may have been selected for reasons other than their quality job creation potential. For example, NH Community Loan Fund markets heavily to farm/food businesses because they employ a large portion of the CDFI’s market. CEI’s concentration in sustainable agriculture, fisheries, nature-based tourism, and renewable energy reflects the CDFI’s triple bottom line commitment to the environment rather than its commitment to quality jobs.

³ Royalty financing fills the gap between debt and equity, offering growth-oriented businesses an alternative to equity financing. In a royalty financing arrangement, a business receives a specific amount of money and the investor receives a percentage of the company’s future revenues over a certain period of time, up to a specified amount. Investors own a piece of the business’s revenue stream rather than a piece of the business itself. Thus, royalty financing enables business owners to obtain capital without giving up a significant ownership position to outside investors

⁴ Royalty financing fills the gap between debt and equity, offering growth-oriented businesses an alternative to equity financing. In a royalty financing arrangement, a business receives a specific amount of money and the investor receives a percentage of the company’s future revenues over a certain period of time, up to a specified amount. Investors own a piece of the business’s revenue stream rather than a piece of the business itself. Thus, royalty financing enables business owners to obtain capital without giving up a significant ownership position to outside investors

ICA Fund Good Jobs and Community First were the only CDFIs to comment on a business's age. ICA Fund Good Jobs said that, based on their experience, a business is ready to create quality jobs when it has been generating revenue for several years and is approaching a pivotal point in growth. In Community First's experience, quality job producers tend to be at least five years in operation.

What about growth orientation? While ICA Fund Good Jobs and Growth Opps solely target growth-oriented businesses, and CEI devotes its quality jobs efforts to growth-oriented businesses, all recognize that businesses without a traditional high-growth trajectory may have the potential to become quality job producers. The key with these businesses is understanding how to make them more profitable or finding other levers that make quality jobs viable for them. For example, low-paying jobs can get better if they also provide career advancement opportunities, schedule flexibility, and a respectful work culture.⁵

On the Ground—Why CDFI Business Borrowers Create Quality Jobs

Each CDFI introduced us to one of their business clients. Although the five businesses we spoke with aren't a representative sample of businesses that produce quality jobs, they all exhibit the general characteristics of high potential quality job producers described by the CDFIs.

The leaders of all five businesses are growth-oriented and have a conscious commitment to create quality jobs. All five have more than \$1 million in annual revenue, five or more employees, and a defined growth plan. They offer:

- Above industry average wages. All but one offer wages above their industry median.
- Basic benefits. All offer paid leave. All but two offer health insurance, and those two plan to offer it in the near future.
- Training and advancement opportunities. All offer training and advancement opportunities. Two provide generous tuition reimbursement programs. And most of the businesses take pride in having internal promotion policies.
- Wealth building. All offer some form of wealth building, with direct deposit being the most common product.⁶ The second most common wealth-building option is annual bonuses. Only the largest businesses offered retirement plans.
- Employee-centered culture. Each business described an employee-centered culture that prioritizes a high level of respect for employees. All offer predictable and flexible schedules.

See Appendices B–F for a profile of each business.

Table 4 shows which quality jobs components each business offers. Most components are available to all full-time employees; some are also available to part-time employees.

⁵For more on this subject, see Steve Dawson and Maureen Conway, Build Ladders and Raise the Floor.

⁶While direct deposit is not by itself a wealth-building tool, it can be an important first step for both employees and businesses. Direct deposit can make saving easier for employees and allows them to access some external savings programs such as the US Department of the Treasury's myRA retirement product for employed individuals who don't have access to another retirement plan. Businesses that aren't able to provide wealth-building options directly can provide direct deposit as an indirect way of helping their employees build wealth.

Table 4. Job Quality Components Offered by CDFI Business Clients

	Firebrand Artisan Breads (ICA Fund Good Jobs)	Sports and Spine Physical Therapy, Inc. (Growth Opps)	Single Digits, Inc. (NH Community Loan Fund)	Axiom Technologies (CEI)	York Academy Regional Charter School (Community First)
Year started	2008	2003	2003	2004	2011
Annual revenue	\$1.2 million	\$1.4 million	\$30 million	\$1.6 million	\$6 million
# Full-time employees	55	14	220	20	64
# Part-time employees	0	6	10	15	3
Total employees	55	20	230	35	67
Quality job component #1: Living wage*	Above industry median	Above industry median	Above industry median	Above industry median	Comparable to industry median
Quality job component #2: Basic benefits*					
Health insurance	No	Yes	Yes	No**	Yes
Paid Leave	Yes	Yes	Yes	Yes	Yes
Retirement plan	No	No	Yes (401K with match)	No	Yes (state employees retirement plan)
Quality job component #3: Career-building opportunities*					
Training and/or Advancement	Yes	Yes	Yes	Yes	Yes
Quality job component #4: Wealth-building opportunities*	Direct deposit	Direct deposit	Direct deposit; periodic stock options; annual bonuses	Direct deposit	Annual bonuses
Quality job component #5: Fair and engaging work environment*					
Predictable and flexible schedules	Yes	Yes	Yes	Yes	Yes
Annual performance reviews	Yes	Yes	Yes	Yes	Yes
Future quality jobs plans	Offer health insurance by end of year; considering profit sharing and annual bonuses	If achieve "phenomenal growth," will consider a retirement plan	Offer more stock options periodically	Offer more training, more advancement; plans to offer health insurance and a retirement plan	Add a new health benefit option

*One of five components of a quality job, as defined in PCV InSight's Moving Beyond Job Creation: Defining and Measuring the Creation of Quality Jobs (2016)

**Used to offer health insurance but found it was cheaper for employees to buy insurance on their own. Provided a salary increase when they stopped offering it.

VI. Which Businesses Create Quality Jobs?

The five CDFIs profiled are some of the industry's top quality job promoters. Yet, their combined scale is limited: annually, their quality job promotion programs provided development services to several hundred businesses and financed only 73.

Table 4. Job Quality Components Offered by CDFI Business Clients

	ICA Fund Good Jobs	Growth Opps	NH Community Loan Fund	CEI	Community First	Total
Years promoting quality jobs	20	1	13	25	2	
# TA Clients						
All businesses	163	200+	200+	2,500	770*	3,833+
Businesses with quality job creation goals	75	16	200+	21	not tracked	312+
# Financing clients						
All businesses	5	5	35	190	150	385
Quality jobs	5	5	35	21	7**	
Businesses						73**
Time period (12-months ending)	5/31/16		6/30/ 16		12/31/15	

*One of five components of a quality job, as defined in PCV InSight's Moving Beyond Job Creation: Defining and Measuring the Creation of Quality Jobs (2016)

**Used to offer health insurance but found it was cheaper for employees to buy insurance on their own. Provided a salary increase when they stopped offering it.

The main barrier that CDFIs face in quality job promotion is their ability to scale up operations and reduce the overall costly nature of the process. The CDFIs recognize that promoting quality jobs is a time consuming and expensive business. They are keenly aware of their dependence on private grants, foundations, individual donors, and/or public monies to fund operations. Each hopes to achieve greater sustainability through fee structures or streamlining.

We identified five specific barriers to expanding the industry's quality job promotion efforts: pipeline; cost of delivering development services; staff expertise; data collection, management, and analysis; and funding.

- Pipeline.** Building a pipeline of eligible business clients can be challenging for any CDFI business lender, not just those focused on quality jobs. Adding a new criterion—the potential to create quality jobs— further narrows the universe of eligible businesses. As in the larger universe of CDFI small business lenders, pipeline issues vary among the five CDFIs, from posing no constraint at all to being a top concern. Not all see the pipeline as a significant barrier. But all have taken steps to attract more businesses, from expanding geographic markets to introducing new financing products to considering businesses that are committed to quality jobs but can't immediately afford to provide higher wages and benefits.
- Cost of Delivering Development Services.** Active quality job promotion requires CDFIs to form deep relationships and provide intensive development services. In spite of partnerships with skilled volunteers and workforce and business development organizations, CDFIs spend significant time and resources on quality jobs development services. Even when CDFI staff are not directly providing the services, they are spending time identifying volunteers and partners, screening and orienting them, matching them with businesses, assessing their performance, and managing them on an ongoing basis.
- Staff Expertise.** All five CDFIs depend on partners to help deliver development services, in part because their staff members lack the necessary technical expertise. This includes expertise in developing job descriptions, hiring practices, health care plans, and stock options; incorporating quality job costs and benefits into financial forecasts; and creating efficiencies, such as work flow analysis, reducing redundancies, and eliminating waste.
- Data Collection, Management, and Analysis.** Developing a streamlined process for the collection, management, and analysis of quality job promotion data is a common barrier for CDFIs. CDFIs must consider a complex web of information, starting with identifying and defining metrics for wage levels, core benefits, internal advancement, corporate culture, and wealth-building options, and ending with collecting and comparing the data.⁷ Like any CDFI data collection effort, getting business clients to respond to data requests can be challenging. More difficult yet is measuring changes over time, something that requires greater analysis than simply summing up and averaging numbers. Indeed, while all of the CDFIs we interviewed collect data from their quality jobs clients—including metrics defined in the PCV InSight paper—none were able to provide more than a few of the metrics in the short turnaround time we allowed during the research phase of this paper.
- Funding.** The other side of the cost of providing development services is finding sources to cover those costs. The CDFIs we interviewed use a combination of private grants, individual donations, subsidies from parent organizations, federal and state funding, and earned income to fuel their quality jobs efforts. However, major public and private sources directing monies to the specific use of assisting businesses in quality job creation remain elusive. CDFIs generally agree that a focus on quality jobs does not help them attract substantial additional funding.

⁷ PCV InSight's paper on job quality advances the conversation, providing suggestions for metrics, definitions, analysis, and presentation of findings.

From the Field: *Financing to promote quality jobs*

Community First is beginning to see funder interest based on the quality jobs data it collects.

Growth Opps raises the concern that funders may see only the short-term costs of quality jobs promotion (i.e., higher payroll costs for the businesses, higher technical assistance costs for the CDFI, and therefore higher risks to the CDFI) rather than the mid- and long-term benefits of greater business resilience and a stronger CDFI portfolio quality.

CEI saw quality job promotion attract funding in the past but sees it less so now.

- 4. Assess CDFI impact.** Using CDFI-collected data, conduct research to determine whether CDFIs' quality jobs interventions are truly making a difference at the business and employees, and even the employee's household level.
- 5. Consider expanding targets for quality job interventions.** Businesses with low profit margins and no growth plans employ many unskilled low-wage workers in CDFI markets. These businesses might be candidates for introducing low- and no-cost interventions, such as predictable and flexible schedules, advancement opportunities, and direct deposit. CDFIs that currently prioritize quality job promotion, as well as other CDFIs, could broaden their impact on quality job creation by working with these businesses. Given the high percentage of low-wage jobs in CDFI markets, this approach could yield significant community impact.
- 6. Encourage funders to fully support quality jobs.** The CDFI industry and its advocates and key stakeholders should encourage private, public, and philanthropic institutions interested in issues of income inequality to recognize the costs of—and support—CDFIs' quality jobs work. In the short term, funding support can both cover these costs and support the research needed to ultimately lower them. In addition, there may be opportunities to loosen the restrictions on some funding programs so the programs can be used to promote quality jobs among a larger population. For example, programs that target dislocated workers could be loosened to include job loss prevention so that CDFIs could use them to add job quality to their job retention activities.

Today, a small number of CDFIs actively promote quality jobs. As more CDFIs get involved in this work, it will become easier to accomplish many of these recommended next steps and more businesses, employees, and communities will thrive.

VII. Next Steps

In this post–Great Recession time of growing income inequality, lingering high unemployment in some regions, and displacement due to gentrification, job quality should be part of the national conversation. It is particularly resonant for CDFIs, whose collective mission is to increase opportunity for all. Based on our research, we make six recommendations to help advance the breadth and impact of quality job promotion efforts in the CDFI industry.

- 1. Increase awareness of how businesses benefit by providing quality jobs.** The CDFI industry can approach this in two ways: share existing research on the benefits of quality jobs and conduct its own research. Existing research on quality jobs is based on analysis of businesses that are larger than typical CDFI clients. New research based on the CDFI experience would offer the added benefit of expanding existing research to include smaller businesses.
- 2. Determine which development services interventions have the greatest impact and find ways to make them more cost effective to deliver.** CDFIs provide assistance on a myriad of topics through a web of delivery mechanisms. Research into which ones have the greatest impact could help CDFIs narrow their focus to a more manageable set of development services. With a narrower list, CDFIs can explore ways to deliver them more cost effectively.
- 3. Identify the best business-level metrics to measure quality job creation and create systems to collect, manage, and analyze this data.** The PCV InSight research makes clear recommendations for metrics, data collection instruments, analysis, and presentation of findings. It would be helpful if CDFIs could agree on and adopt a common set of metrics. Then, recognizing that systems that promise high response rates and are able to quickly analyze the data and produce presentation charts and tables are lacking, an effort should be made to develop a system or systems. Such a system would save CDFIs time, frustration, and money, and facilitate research on which interventions are most effective.

Appendices

Appendix A. Methodology

Summary

This paper's research is based on:

- interviews with five CDFIs and five small businesses that borrowed from these CDFIs;
- discussions about creating quality jobs that took place at three consecutive annual Opportunity Finance Network (OFN) Small Business Finance Forums;
- a literature review; and
- extensive conversations with the authors of the PCV InSight quality jobs report.

Literature

Our literature review included the following articles and reports:

- PCV InSight, "Moving Beyond Job Creation: Defining and Measuring the Creation of Quality Jobs (2016)" (including nine studies referenced in this report)
- Noelle Baldini, "Measuring the Quality, Not Quantity, of Job Creation," *Cascade*: No. 90, Winter 2016
- Maureen Conway and Steven L. Dawson, "Build Ladders and Raise the Floor," Aspen Institute and Paraprofessional Healthcare Institute, 2014
- Adam Davidson, "Managed by Q's 'Good Jobs' Gamble," *New York Times Magazine*, February 25, 2016
- Adam Dunn, Nan Maxwell, and Dana Rotz, "Economic Self-sufficiency and Life Stability One Year after Starting a Social Enterprise Job," REDF, January 2015
- Susan Mackenzie, Jeremy Nicholls, and Ailbeth Somers, "Measuring Real Value: A DIY Guide to Social Return on Investment," New Economics Foundation, 2007
- Jennifer Mudd, "Impact Measurement for CDFI Small Business Lenders," OFN Technical Assistance Memo, April 2013
- Zeynep Ton, "Why 'Good Jobs' Are Good for Retailers," *Harvard Business Review*, January–February 2012

Interviews

We talked to the authors of two of the above studies: Tom Woelfel and Daniel Brett from PCV InSight and Noelle Baldini from the Federal Reserve Bank of Philadelphia.

Based on the literature review, discussions with Woelfel, Brett, CDFIs, and industry experts, and our knowledge of OFN's membership, we invited five CDFIs that are actively engaged in promoting quality jobs or tracking job quality characteristics to participate in the study. Four are OFN Members. We interviewed:

- Sean Murphy, Chief Executive Officer, and Kot Hordynski, Director of Marketing and Impact, ICA Fund Good Jobs
- Michael Jeans, President, Growth Opps
- John Hamilton, Vice President of Economic Opportunity, NH Community Loan Fund
- Keith Bisson, President, and Paul Scalzone, Director of Workforce Solutions, CEI
- Joan Brodhead, Chief Operating Officer, and Kim Van Donk, Senior Associate, Community First.

We asked each CDFI to introduce us to one of their quality job creating business clients. We then interviewed a senior employee of each business:

- Leon Anderson, President and Chief Executive Officer, Sports and Spine Physical Therapy, Inc. (Growth Opps)
- Susan Corbett, Owner, Chief Executive Officer, and Chief Financial Officer, Axiom Technologies (CEI)
- Robert Goldstein, Founder and Chief Executive Officer, Single Digits, Inc. (NH Community Loan Fund)
- Monik Johnson, Business Manager, York Academy Regional Charter School (Community First)
- Matt Kreutz, Owner, Firebrand Artisan Breads (ICA Fund Good Jobs)

Appendix B. CDFI Profile: ICA Fund Good Jobs

A relatively young CDFI, ICA Fund Good Jobs was established in 2013 as a dedicated capital arm of Inner City Advisors (ICA), a nonprofit with the mission to create good jobs for people with high barriers to employment by providing small business owners with expert consulting, education, and investment to grow their businesses.⁸ ICA Fund Good Jobs works in nine counties in the San Francisco Bay area. As its name indicates, the CDFI's sole focus is on creating quality jobs. As of May 31, 2016, it had a portfolio of five businesses, with a total debt and equity value of approximately \$2.5 million.

Target Businesses: ICA Fund Good Jobs works with high-growth businesses that have strong leadership teams committed to creating quality jobs.

Common characteristics include annual revenue of \$1 million to \$1.5 million and six to 12 employees. ICA Fund Good Jobs tends to focus on “under the radar businesses” outside the tech industry, which typically gets most of the attention. Health care is one example of a less noticed growth sector. Another example, particularly in the Oakland area, is the organic specialty food sector.

“Commitment to the pathways is key. Businesses don’t have to be very far along when they start working with ICA Fund Good Jobs. We know how to work with a business where they are ... and create a structure that is mindful of their time and impactful.”

— Sean Murphy, Chief Executive Officer, ICA Fund Good Jobs

Quality Jobs Definition: ICA Fund Good Jobs defines a quality job as incorporating five core pathways:

1. Employment access to those who face barriers to employment, such as race, disability, gender, or a criminal background
2. A living wage⁹
3. Benefits
4. A supportive culture—is it a great place to work?
5. Opportunities for advancement, such as social networking and career ladders

This definition incorporates not only a business’s hiring practices and job benefits, but also its corporate culture.

Although not incorporated in its definition, ICA Fund Good Jobs also looks at how a business links to the broader economic ecosystem: does the business add value to a thriving and equitable community?

⁸ ICA Fund Good Jobs was originally created as Fund Good Jobs, a subsidiary of Inner City Advisors. In 2015, the two organizations combined to form ICA Fund Good Jobs.

⁹ ICA Fund Good Jobs calculates an area living wage of \$14.25 based on the MIT Living Wage Calculator and current local housing, education, and economic development indicators. The local data is more current than the MIT calculator, allowing ICA Fund Good Jobs to take into consideration the rapidly changing cost of living in its market.

Products and Services: ICA Fund Good Jobs’ model has three steps: education, acceleration, and financing. Businesses first enroll in a 10-week growth strategies course that links them to specialized advisors. From this large pool of businesses, ICA Fund Good Jobs invites eight to 10 to enter its Good Jobs Accelerator program, which provides tailored, intensive advisory services. To be eligible for the accelerator, a business must be planning to create at least 50 quality jobs in three to five years. A subset of the accelerator businesses then access debt and/or equity financing. Financial incentives in the form of lower interest rates are available for businesses that make progress along the five pathways (e.g., hiring those who face barriers to employment and creating jobs that offer living wages, benefits, social networks, and ladders of promotion.)

ICA Fund Good Jobs has developed a Good Employer Matrix (GEM) to assess hiring practices, growth rates, and company culture. See Appendix G for more information on GEM. This tool serves as an entree to conversations about job quality and how a business can address community needs: For example, does the business advocate for affordable housing so its employees can live nearby? Does it help employees grow educationally, professionally, and socially?

Because of Inner City Advisors’ 20-year history in the area (it was established in 1996), ICA Fund Good Jobs enjoys positive brand name recognition and is a sought after partner known for fair labor practice and local ownership. Its pipeline is consistently strong due to its advisory services and loan sizes. The organization sees itself working with small businesses that other financial institutions aren’t targeting: growth businesses that need significant technical assistance and advisory services, more than \$250,000 in financing, and, possibly, equity rather than debt.

ICA Fund Good Jobs offers technical advice on a wide range of topics, including financial management, increased operational efficiency, and quality job promotion. Most of this is done through an extensive network of volunteers who are business owners and often graduates of ICA Fund Good Jobs programs. Professional, low-cost services are also offered in specific cases. The most popular of these are in the areas of legal services, human resource liability, accounting, and financial modeling services. Partnerships with workforce agencies provide recruiting and training services.

Costs associated with technical assistance and advisory services are covered primarily by foundation and corporate grants. Other revenue sources like individual donations, event sponsorships, and a new fee-for-service model in the accelerator program make up the difference; however, these sources account for less than 5 percent of operating income. Over the next five years, ICA Fund Good Jobs has a strategic imperative to become more self-sufficient.

Outcomes: ICA Fund Good Jobs tracks quality job creation. Its five portfolio businesses have grown from 115 employees in 2014 to 174 in 2015, a 51 percent increase. One hundred percent of the new jobs and 65 percent of all jobs are full-time with benefits.

Benefits: Benefits to ICA Fund Good Jobs are mainly in mission accomplishment. While a leader in quality job promotion that can help other CDFIs engage in this work, the CDFI finds that getting other CDFIs interested in quality job promotion has been slow. Still, ICA Fund Good Jobs sees its work as an example for other CDFIs, as well as for area small businesses.

Barriers: ICA Fund Good Jobs does not feel that its quality job focus has led to higher levels of funding or more diversified funding sources. Its intensive advisory process is costly, even with its wide network of pro bono advisors. This cost barrier is coupled with a need for more low-cost capital: the CDFI's current loan fund of \$2.5 million was quickly deployed and ICA Fund Good Jobs is in the process of raising new funds. Loan loss reserves and balance sheet equity are other needs.

Future Plans: Despite these barriers, ICA Fund Good Jobs intends to increase its quality job promotion efforts. It hopes to see more funders, investors, CDFIs, and even small businesses being moved by the need for quality jobs, which would increase demand for the CDFI's work. While potential clients are plentiful, ICA Fund Good Jobs is looking for ways to go deeper and realizes that more partners are needed to help extend its reach and resources.

Quality Job Producer: Firebrand Artisan Bread

Firebrand Artisan Bread has been in operation since 2008. In 2015, it reached \$1.2 million in revenue. It has demonstrated growth potential and its owners, Matt Kreutz and Colleen Orlando, are clearly committed to quality job creation. The business received a \$600,000 ICA Fund Good Jobs loan to expand its wholesale operation and open a retail bakery. The result is 55 full-time employees, all receiving \$12.50 to more than \$20 per hour. Most employees are at or above the \$14.25/hour living wage. All have flexible and predictable schedules, receive paid leave, have access to industry-specific and general business training, and see evidence of promotion opportunities—the business has filled 20 positions internally in recent years. The owners see that the payoffs for higher payroll, training, and management costs are better performance, higher employee retention, growing brand loyalty in the community, and ultimately, higher profits. In the future, Firebrand plans to provide health insurance and wealth-building opportunities, and to move toward open-book management.

Appendix C. CDFI Profile: Growth Opportunity Partners

Founded in 2015 in northeastern Ohio, Growth Opps was created with a two-fold mission of providing debt funding to inner city and disadvantaged rural neighborhood small businesses while creating “meaningful wage jobs.” With a sole focus on quality jobs, this young organization has a portfolio of five businesses with approximately \$1 million in loans outstanding.

Target Businesses: Growth Opps works only with growth-oriented businesses that pass a growth test and commit to delivering meaningful wage jobs. The owners of these businesses tend to be interested in educating and investing in their employees rather than waiting for someone else to train them.

Definition: Growth Opps defines a meaningful wage job as one that offers a path beyond living wage based on the MIT Living Wage Calculator¹¹ and at least one other benefit, such as paid leave, a company-sponsored retirement plan, or health insurance. The CDFI focuses on increasing employee wages and income levels and business profits as a way to effect meaningful change in low- and moderate-income neighborhoods. Using a combination of senior and subordinated debt, along with intensive technical assistance services, Growth Opps currently works with five businesses who together employ 104 individuals.

Products and Services: Growth Opps' quality job focus is seen throughout its strategies, products, and services. From pre-screening, underwriting, and lower interest rates to technical assistance and data tracking, its goal is to find, fund, and assist businesses that will create meaningful wage jobs. Significant technical assistance goes toward human resource activities, such as job description development, hiring, training, and setting wage levels. Growth Opps teaches businesses to hire and train for the skills they will need in the future, not just the skills they need today. Ongoing monitoring of monthly financial statements allows the Growth Opps staff to quickly intervene with relevant technical assistance in, for example, operating efficiencies, hiring, cash flow, or marketing.

One unique marketing strategy Growth Opps uses is training local accountants and lawyers who work with small businesses. These “centers of influence,” each of which works with numerous small businesses, have the opportunity to educate the wider small business community on the benefits businesses can realize when they create quality jobs. Growth Opps has found that these centers of influence can play a key role in convincing business owners to include meaningful wage jobs in their business plans.

Growth Opps provides loans up to \$750,000 (\$1,000,000 cap to any single guarantor), with an average loan size of approximately \$250,000. Terms are typically three to five years. Growth Opps often makes loans to cover the higher payroll costs of meaningful wage jobs. These are typically three-year loans, with no prepayment penalty, so businesses can pay them off as soon as their cash flow is sufficient to cover the payroll. Growth Opps may match the loan disbursement schedule to the creation of new meaningful wage jobs, requiring businesses to submit payroll reports showing they have made hires and are paying a meaningful wage.

Outcomes: Growth Opps data reveals that the 104 jobs provided by the five businesses it works with are at or above a living wage. Most jobs are eligible for paid leave and health insurance. Only the two largest businesses offer retirement plans. Growth Opps doesn't currently collect data on training, advancement, or scheduling, but plans to track this in coming survey cycles.

Benefits: Benefits are largely related to mission. Growth Opps sees itself as a strong example to other mission-driven lenders that want to help small businesses in disinvested communities become catalysts for change.

¹¹ Growth Opps uses the living wage for two adults and two children because this fits its market's demographic best.

“We are working really hard to raise the bar in economic development by holding up the banner that all jobs are not created equal”

—Michael Jeans, President, Growth Opportunity Partners

Barriers: Growth Opps notes several barriers to promoting quality jobs.

The first is its pipeline and the ability to convince business owners to commit to creating quality jobs. To increase its pipeline, Growth Opps is considering expanding its target market to include the Cleveland inner-ring suburbs, many of which are experiencing economic stresses similar to those in neighboring underserved cities.

The costs of providing technical assistance and advisory services are another barrier. And gathering data is a challenge, as businesses may lack the ability or willingness to provide detailed information on wages, benefits, and wealth building.

Another barrier, one that impacts the business as well as Growth Opps, is timing. Businesses don't immediately see the full impact of creating meaningful wage jobs. In the short term, they experience the costs associated with higher wages, more benefits, and increased time spent on writing job descriptions and conducting annual reviews. It takes time for businesses to reap the benefits of lower turnover and a better-trained, more committed, and higher-performing staff. This lag means there can be a short-term financial risk to the businesses and a fundraising risk for the CDFIs: potential funders may be reluctant to support an organization that can't demonstrate sufficient progress in the short-term, even if the trend is positive.

Operating funds and loan capital are also challenges. Initially, JumpStart provided seed capital and operating support to Growth Opps. JumpStart continues to cover part of the salary of the president, who spends part of his time on JumpStart business. The two organizations are crafting a timeline for winding down that support. While in conversation with several funding sources that are interested in quality jobs, Growth Opps has not yet obtained funding from these sources. Self-sufficiency is a long-term goal. Currently, Growth Opps provides technical assistance services free of charge and covers the cost through grants. In the future, Growth Opps plans to partially cover these costs through referral fees from partner agencies, as well as interest income as it grows its loan portfolio.

Future Plans: Growth Opps' future plans include researching the impact of quality jobs on households rather than solely on employees. Growth Opps is also in discussion with another community lender, the Hebrew Free Loan Association of Northeast Ohio (HFLA), about an innovative collaboration. The historic HFLA, which has been providing interest-free loans to individuals for a multitude of purposes for more than 100 years, may consider requests from businesses to take out Growth Opps payroll or training loans and provide no-interest loans in their place.

Quality Jobs Producer Profile: Sports and Spine Physical Therapy, Inc.

Sports and Spine Physical Therapy, Inc. opened in 2003 with four employees. Its first Growth Opps loan was \$90,000 in 2015 and its second was \$36,000 in 2016. Leon Anderson, President and CEO, speaks of Growth Opps as a mentor that provides consistent and capable advice on a weekly basis and reviews financial trends and performance on a monthly basis. While shopping for a loan at a local bank in 2014, Anderson was steered toward Growth Opps as a potential good fit. After a three-hour conversation, both parties agreed it would work. Now, Sports and Spine has three locations, two in Ohio and one in North Carolina, and employs 17 full-time staff, three part-time staff, and three subcontractors.

All staff are paid wages ranging from \$12 to \$43 per hour, wages that are above the industry norm. Anderson decided to offer these wages in an effort to attract and keep good workers. However, wages alone do not define a quality job for Sports and Spine. Training, promotion from within, and a living wage are all central to the work philosophy. Anderson's father was one of the first licensed physical therapists in the area and the first African American licensed physical therapist in Ohio. He was known for mentoring young physical therapists. Anderson has continued this tradition. Sports and Spine is a teaching as well as a service institution.

It regularly trains and mentors pre-physical therapy students as paid and unpaid interns. Many of the interns who stay in the area opt to continue working at the business. The COO started cleaning closets at the business at 12, worked in the clinic at 16, and now manages the business. In the last 12 months, Sports and Spine has promoted two staff and moved two laterally. All workers are eligible for health insurance and paid leave, although less than half use the health insurance option. Retirement and wealth-building plans are not offered and would require significant growth in revenue. Anderson sees the benefits of offering quality jobs in higher employee retention, performance, and morale. However, Anderson also notes it takes time and investment in annual reviews, and effort to ensure the team remains strong. Luckily, they have achieved a reputation that makes this easier. He says, “People want to work with us because we are highly competent and they want to learn from and work with great professionals. Right now we have seven people on the waiting list trying to get into our student program.”

Appendix D. CDFI Profile: New Hampshire Community Loan Fund

New Hampshire Community Loan Fund was established in 1983 to help community-based groups that provided long-term benefits to low-income individuals. Its primary focus was affordable housing. In 2002, NH Community Loan Fund entered the small business market with a new program called Vested for Growth, led by the organization’s vice president for economic opportunity, John Hamilton. Hamilton’s vision was inspired by a few progressive, growing, high-tech manufacturing firms he had seen in New Hampshire. These firms were creating great jobs through open-book financials and profit sharing. Their staff were motivated, happy, and loyal as they all worked together toward the bottom line. Hamilton wanted to promote opportunities like these in NH Community Loan Fund’s market. Today, NH Community Loan Fund is a multisector CDFI with a business program focused on quality job creation and business resiliency. As of December 2014, NH Community Loan Fund had total financing outstanding of \$75 million, including \$12 million outstanding to 35 businesses.

Target Businesses: NH Community Loan Fund partners with businesses that have high growth potential, want to grow their company by growing their people, and seek help finding ways to implement progressive management strategies that tie to the bottom line. The CDFI targets businesses that hire people without degrees from a four-year college, offering these members of the community the opportunity to profit from a growing economy. There is no single type of business in its portfolio, though there are high concentrations of manufacturing and farm/food businesses. Businesses generally range from \$1 million to \$15 million in revenue and five to 50 employees. NH Community Loan Fund’s experience has shown that industry sector, age, or size are less relevant to quality job creation than a business’s culture and its owner’s commitment.

Definition: In NH Community Loan Fund’s view, it is hard to develop a standard definition for a good quality job. Businesses across sectors and at various stages of evolution take very different approaches to creating good jobs. This is why the CDFI takes a customized approach to growing quality jobs. For example, flexible schedules may be important to employees of a manufacturing business, but dairy farmers or millennials might put a higher priority on paid time off. NH Community Loan Fund defines good wages as those above what other similar businesses offer, but not necessarily a “living wage.”

“We hesitate to standardize . . . job improvement strategies are business specific; we assess employees to find out what is important to them.”

—John Hamilton, Vice President of Economic Opportunity,
New Hampshire Community Loan Fund

NH Community Loan Fund places a higher priority on a business’s level of employee engagement—how the employee’s voice is heard and performance appraised—than it does on hourly wage. Therefore, rather than assessing a business in terms of job wage or benefits potential, NH Community Loan Fund takes an organic approach, looking for businesses that believe an engaged workforce is the best way to success.

Products and Services: Vested for Growth’s first financing product was royalty financing, a niche product that is an alternative to equity for growth-oriented businesses. Filling the gap between debt and equity can be useful for business owners who, turned down by their banks, cannot access equity or don’t want equity because it would require them to dilute their ownership, bring in outside decision-makers, and/or position the company for a sale in three to five years. With royalty financing, the investor’s return comes from earning a percentage of the company’s future gross revenues over a certain period of time or up to a specified amount.¹²

Royalty financing isn’t right for all businesses. To expand its potential client base, in 2013, NH Community Loan Fund added senior and subordinate debt to its suite of small business products. Today, the CDFI provides up to \$1 million in financing, with an average of \$250,000. Since adding the debt products, its portfolio has grown considerably.

Rather than assessing a business narrowly in terms of job wage or benefits, the CDFI takes a more holistic and customized approach that focuses on making the jobs incrementally better in accordance with feedback from the business and the employees. It has created an Engage Employees tool that provides a list of best practices to help the business chart its path and track its progress. See Appendix H.

NH Community Loan Fund is able to deliver individualized technical assistance due to its robust network of volunteers and paid consultants. The CDFI leverages the diverse skills and networks of its six-person business team to match a business with support for the business’s unique needs.

The cost of this technical assistance is covered in two ways, either through volunteer advisors or—for businesses receiving royalty financing—paid consultants. Businesses receiving loans start out paying a small portion of the technical assistance cost to show commitment; NH Community Loan Fund covers the difference through cost-sharing grants and donations until the business can gradually pick up the rest.

NH Community Loan Fund has found advisory boards to be a powerful tool in transforming business outlook and providing specialized knowledge. The CDFI notes that local advisory boards and CEO peer groups often yield greater impact and are more economical than outside consultants. They also provide additional “eyes and ears,” giving the CDFI additional insights on the business. NH Community Loan Fund has put in place a wide network of mentors and technical specialties. While most businesses are initially skeptical that they need an advisory board, some find them so valuable they continue to work with their advisory boards or participate in a CEO peer group well after they have repaid their NH Community Loan Fund loan or investment. For example, one business’s CEO circle is now entering its fourteenth year.

Outcomes: When it comes to reporting on job quality metrics, NH Community Loan Fund avoids placing a burden on the business with a lot of “make work” reporting requirements or asking companies to capture the overall family income of their employees. Instead, the CDFI encourages capturing data useful for the business (e.g., sales, profits, cash flow) or already being captured for other purposes (e.g., wage reporting for unemployment insurance). A more resilient business is better able to provide higher-quality jobs, contends NH Community Loan Fund. To track business resilience, the CDFI’s business finance team annually reviews metrics like sales, profits, and cash flow. NH Community Loan Fund collects the number of full-time equivalent jobs and the number of staff enrolled in benefits at loan/investment closing and semi-annually during the life of the loan/investment. The number enrolled in benefits is not broken down by type of benefit.

¹² For more on royalty financing, see <http://www.inc.com/encyclopedia/royalty-financing.html>.

Benefits: By being a value-added partner that helps portfolio businesses create good quality jobs, NH Community Loan Fund is able to differentiate itself among alternative lenders in the market. It is also a primary strategy for mitigating risk. By having close working relationships with businesses, the CDFI is able to identify problems at early stages and help craft solutions. Businesses with engaged employees tap into a deeper motivation among their employees and unleash more potential as they become more “vested” in the growth of the company.

Barriers: The main barrier to scaling up is that business assessment and customized matchmaking between the businesses and advisors is time consuming. NH Community Loan Fund staff identify the needs of each business. To assemble an appropriate advisory board, NH Community Loan Fund staff then identify two to three choices among the pool of people for the business to interview. The process from beginning to end takes the CDFI staff’s time and focused attention.

Future Plans: NH Community Loan Fund is optimistic about its model and will try to achieve more scale in the future.

Quality Jobs Producer Profile: Single Digits, Inc.

Single Digits Inc. is a guest Wi-Fi software and services provider based in Manchester, New Hampshire. NH Community Loan Fund began working with the company after the two were introduced as like-minded entities regarding quality job creation. In 2011, Single Digits borrowed \$1 million from NH Community Loan Fund to build out its Human Resource (HR) Department. The importance of HR is cited by owner Robert Goldstein, who notes, “There are big competitors in our market and we want to deliver a higher level of service to customers. Our HR director spends a lot of time staying ahead of the curve.” Single Digits mirrors NH Community Loan Fund’s employee-centered philosophy. The business is uniquely positioned to employ large numbers of high school and two-year community college graduates in the technical field. They provide a full complement of benefits including paid leave, health insurance, retirement, internal advancement, employee feedback mechanisms, and wealth building. Wages are competitive with the market place and they strive to attract and keep talent. With more than half of its management staff promoted from within, the company demonstrates how quality job components work to benefit both the business and its employees.

Appendix E. CDFI Profile: CEI

Based in Brunswick, Maine, CEI was established in 1977. Growing out of the civil rights movement, CEI’s roots are in Maine’s fishing industry and other natural resource industries. In 1982, CEI made its first business loan, an investment in one of Maine’s many local fishing entities. This investment in a regional fish and cold storage business helped support essential industry infrastructure. Since then, CEI has continued to create quality jobs through its rural business financing portfolio. Today, CEI is a multi-sector CDFI, providing microenterprise, housing, community facilities, and commercial real estate financing in addition to business financing, its primary financing sector. At fiscal year end 2014, CEI had \$36 million in loans outstanding to 407 borrowers, of which \$19 million was to 190 small businesses. Twenty-one of these businesses are committed to creating quality jobs.

Target Businesses: CEI supports a wide range of businesses in many sectors of the rural and small town economy, with some sector specialization in sustainable agriculture, fisheries, nature-based tourism, and renewable energy. Many of these businesses are not high-growth with quality job creating potential—they may need financing to retain jobs or to create jobs in high unemployment areas, for example. CEI’s quality jobs work is with the subset of businesses that are high-growth and planning to create jobs, and which have owners committed to quality job creation.

Definition: CEI’s definition of a quality job weighs several components. Average starting wage is one component. With Maine’s minimum wage at \$7.50, a \$10 per hour job with benefits in a rural area with high unemployment may be considered good quality for low-skilled labor. While businesses seek to provide competitive wages and benefits, other factors can be nearly as important as wage. For example, flexible and predictable schedules can be important, as can paid leave, health insurance, and a retirement plan. Rather than offer formal training opportunities, CEI’s businesses tend to offer on-the-job training. CEI’s focus goes beyond quality job creation to a business’s overall community return in terms of longevity, environmental protection, and socially responsible practices.

Products and Services: CEI provides several different financial products. Loans range from \$5,000 to \$3 million. CEI also offers debt with equity and equity investments on a limited basis. New Markets Tax Credit (NMTC) Program investments range from \$10 million to \$30 million. While NMTC deals are not the focus of this quality jobs research, it should be noted that some of CEI’s NMTC Community Benefits Agreements carve out funding for workforce development activities, such as job training and placement, and English as a Second Language classes for immigrants and refugees.

The businesses with high growth potential and a plan to create jobs are considered to be candidates for CEI’s Employment and Training Agreement (ETAG). See Appendix I for a sample ETAG. Through these agreements, CEI establishes clear expectations regarding hiring in disadvantaged communities; providing education, training, and core benefits to employees; and reporting regularly to CEI on wage and other data.

CEI assists the ETAG businesses in meeting these goals. CEI provides loans to promote hires from economically disadvantaged backgrounds. Staff identify state and federal resources to train and educate employees. Other interventions include educating businesses on the benefits of quality jobs, providing financial management advice, assisting businesses in creating career ladders, and reducing interest rates for businesses that successfully fulfill the ETAG. To lessen pressure on CEI staff, CEI often refers borrowers to its Small Business Development Center or Women’s Business Center for assistance. CEI is sometimes able to connect businesses with community colleges for customized employee training, as well as link the businesses to industry-specific consultants. Partners also provide expertise in recruitment, workforce development, and creating greater operational efficiencies.

Costs for technical assistance and ETAG-related activities are mainly funded through grants and renewable contracts. CEI has always had diverse revenue sources, including earned income, but as with other CDFIs, grants play an important role in quality job creation efforts.

Outcomes: CEI counsels more than 2,500 businesses each year. Its active loan portfolio includes more than 400 microenterprises, businesses, and projects, of which 21 businesses have ETAG compacts. CEI tracks the number, type, and wages of quality jobs created by ETAG businesses quarterly. CEI has not yet aggregated the quality job creation data from the 21 individual ETAG assessments.

Benefits: Because of its history with and commitment to small business development, CEI sees its focus on creating quality jobs as critical to its mission. The CEI brand goes beyond that of transactional lender/investor. Businesses and communities consider CEI to be a partner deeply vested in helping companies create and keep quality jobs. This reputation has helped generate a steady pipeline of businesses interested in working with CEI, though not all these businesses are potential quality jobs creators.

Barriers: CEI sees several barriers to its quality job efforts. First, creating and maintaining a pipeline of high-growth businesses is always a challenge. CEI has expanded its CDFI Fund Target Market certification to include low-income targeted populations nationwide. Maine is CEI's primary market; however, it recognizes high potential opportunities in nearby states.

Second, time and expertise are limiting factors, both in terms of helping businesses improve jobs beyond wage increases and in monitoring ETAGs. Available funding limits the number of ETAGs that CEI can manage. Third is data management. While ETAG assessments provide a tremendous amount of data, they require significant time commitments from both borrower and lender, as wage data are cumbersome and difficult to gather and analyze. The data gathered from the ETAG assessment tool is not easily accessible for analysis. Technology is needed to help leverage this data.

Future Plans: CEI identifies several resources needed to expand operational reach and efficacy. CEI would benefit from additional staff or external expertise in specialized areas, such as health care plans, stock options, industry-specific knowledge, and logistics or efficiency management, as well as dedicated funding to conduct human resource assessments of ETAG clients. Public policy changes may also be needed. One example is the Department of Labor Workforce Innovation and Opportunity Act. This act targets funding to low-income and dislocated workers, but a critical need in Maine is for incumbent workers, refugees, and immigrants. Looking forward, CEI would like research and development funding so that the CDFI can identify which strategic interventions are most effective in creating quality jobs. If it could answer that question, it might be able to narrow its focus and have greater impact with its limited resources.

Quality Job Producer Profile: Axiom Technologies

Axiom Technologies is a broadband service provider with a commitment to creating quality jobs in rural Maine. Axiom believes that “every connection counts” and strives every day to reach its goal to provide broadband to every unserved home in Washington County and throughout the state. In 2014, Axiom started a nonprofit, the Axiom Education and Training Center (AETC), to further the business’s mission and its “pay it forward” commitment to the communities in which it works. Founder and CEO Susan Corbett believes that through education and technology, Axiom and AETC can change the economic status of a region. Axiom continually invests in its employees through regular training and pays above market rates. Corbett credits her employees for the incredible work and dedication it has taken for Axiom to stay in business for ten years. She believes that the company’s investments in its workforce has led to less turnover, a better company culture, and ultimately a commitment to its customers that is second to none. Recently, Axiom experienced double-digit growth. It expects to grow its workforce and footprint in the state in the coming year.

Appendix F. CDFI Profile: Community First Fund

Based in Lancaster, Pennsylvania, and established in 1992, Community First Fund's mission is creating sustainable prosperity for low-wealth communities and individuals. To that end, Community First has a multi-sector portfolio of 425 business, charter school, residential, and mixed-use loans, including seven NMTC deals. Seventy percent (300) of the outstanding loans are to businesses. As of fiscal year end 2014, Community First had a portfolio of \$25 million outstanding.

Community First began promoting quality jobs in 2013, when it received its first NMTC allocation. Quality jobs are a focus in all NMTC deals; it is an emerging focus in the business portfolio. Community First's interest in quality jobs stems from its long-term work on measuring impact and exposure to the quality jobs conversations occurring in the CDFI industry over the past two years. Initially, the CDFI's impact work focused on measuring the impact of its financing on a business at a given point in time. As its impact work matured, the CDFI started looking at impact over time, and broadening its focus from the business owner to the employees and communities. The CDFI is now collecting data on quality job components but not actively promoting the creation of quality jobs.

Target Businesses: The majority of Community First's business clients are small operations with five or fewer employees. Typically, the business owners' first priority is keeping the business afloat and profitable. Many of these operations are family run and not yet providing salaries to family members, so benefits, such as health insurance and paid leave, are not yet part of the businesses' mindsets.

Community First contends that many businesses want to offer quality jobs as a way to attract and keep high-performing employees. Businesses that are able to do so tend to be at least five years in operation and have five or more employees. Community First did not identify an industry type more inclined toward quality jobs but did note that smaller "mom and pop" operations, like its average clients, don't tend to offer such jobs. A few of its clients have a social responsibility inclination and put quality job creation in the business plan.

Community First's NMTC borrowers are considerably larger than those in its business portfolio, with each typically planning to create 30 to 60 jobs.

Definition: Community First's definition of a quality job includes both wages and benefits. Using the MIT Wage Calculator, Community First has averaged wages across its target market counties to arrive at a living wage annual salary of \$36,000 per year. It also considers paid vacation, paid sick days, health insurance, and flexible and dependable work schedules. In some of its urban NMTC deals, it includes a "commute of 10 minutes or less" as another characteristic of a quality job. The definition does not specify how many of these characteristics must be present for a job to be classified as a quality job.

Products and Services: Community First provides business loans up to \$150,000 and commercial real estate loans from \$260,000 to several million. NMTC financing ranges from \$3 million to \$8 million.

In its NMTC program, Community First uses Community Benefits Agreements to require borrowers to commit to offering as many quality job characteristics as possible in all the jobs they create. Community First provides technical assistance to NMTC clients in building- and project-related matters. It is currently working with a consultant on how to help NMTC borrowers create quality jobs.

For the larger business portfolio, Community First's only quality jobs activity is capturing and analyzing data. Its metrics are number of employees hired at a living wage, level of health benefits, paid leave, retirement benefits, and flexible and predictable schedules. Community First covers the cost of its annual survey through NMTC fees, which have allowed them to create a full-time impact position to conduct the surveys, input data, and produce an analysis.

Outcomes: Of the 185 businesses surveyed in 2014, 68 offer a living wage to a combined total of 355 employees. Sixty-six businesses offer paid leave to 753 eligible employees. Forty businesses offer health benefits to 543 employees. Twenty businesses offer a retirement savings plan.

Benefits: Community First benefits from quality job tracking by being better able to assess mission achievement and by attracting increased attention from funders interested in quality job data.

Barriers: Costs associated with tracking quality job metrics are predictably high. Given its loan volume (150–160 originations per year), offering technical assistance to promote quality jobs would be cost prohibitive, drive down its self-sufficiency ratio, and take it out of its areas of expertise.

Future Plans: Like the majority of small business CDFIs, Community First did not start out with a focus on quality jobs. The CDFI's analysis of quality jobs data has brought insight as well as challenges to its work, and is leading it to think about its future role in promoting quality jobs. Management is very conscious that businesses are approaching them primarily for financing, not technical assistance. Job quality is becoming more important in internal conversations and discussions with funders. Some of the questions the CDFI is grappling with include how far it should move away from its existing expertise in providing very small, struggling businesses with financing and fundamentals on how to run a business; how actively it should promote quality jobs; and whether tracking quality jobs without actively promoting them through technical assistance or financial incentives best serves its mission and target market.

Quality Job Producer Profile: York Academy Regional Charter School

York Academy Regional Charter School is a NMTC borrower. With 67 employees, the school began in 2011 and now has more than 600 students. Pennsylvania charter schools are not bound by union wage and benefits packages. To attract quality teachers, York Academy provides wages and benefits comparable to or better than those in the local school system. Health insurance benefits are an interesting example. Continually assessing ways to offer benefits that are valued by the staff and affordable for the school, next year the school plans to add a new health plan option specifically geared toward younger staff, its largest employee demographic. In addition to core benefits, the school provides annual performance-based bonuses when possible, targeted teacher training, and a generous tuition reimbursement plan. Business Manager Monik Johnson explains that training is important as the school expects much from its teachers and hopes to retain them.

Appendix G. ICA Fund Good Jobs' Good Employer Matrix

ICA FUND GOOD JOBS

Good Employer Matrix

ICA Fund Good Jobs is a dedicated learning organization, committed to observing the changing needs of entrepreneurs, and intentionally reinventing our model to better serve those needs over time. Job quality and accessibility is central to our mission. Thus, we have developed the Good Employer Matrix (GEM) to gain a holistic picture of our companies' job creation, and directly apply the lessons we have learned after supporting hundreds of entrepreneurs in the Bay Area in order to promote good employment practices nationwide.

Origins of the GEM

Though our work has always been dedicated to small business growth and job creation, changes in our community led us to increase our focus on the quality and accessibility of the jobs created by our companies. The GEM was originally developed as a consultative, paper-based approach to evaluate how our portfolio companies created good jobs. The first iteration of this tool included a wide variety of job quality criteria categorized by Wages, Scheduling, Benefits, Culture, and Career Ladders, with an additional score for HR compliance. Each criterion was scored from 1 (baseline) to 4 (ideal) according to choices that entrepreneurs could make to improve the quality of jobs they provided. Category scores were calculated as averages of the criteria we believed to be the most important for entrepreneurs to implement at each stage of business. We wanted to use the GEM process to help transparently communicate our expectations, provide unambiguous suggestions, build relevant workplans, measure progress over time, and hold portfolio companies accountable to specific mission returns.

Today, we recognize the GEM as an opportunity to significantly scale our impact by influencing industry approaches to workforce development and impact investing, and providing a meaningful tool for entrepreneurs far beyond our immediate network.

GEM 2.0

ICA Fund Good Jobs is now developing the GEM into a free, easy to use web-based scorecard that will provide companies with a score and lever points to improve job quality and access. The GEM will define what it means to be a good employer in a way that is independent, comprehensive, transparent, and dynamic. As a peer-to-peer comparison tool, entrepreneurs will be able to see how they align with their industries and geographical regions. As an objective measurement tool, lenders will be able to quickly identify socially responsible investment opportunities in a way that is supported by research and practical application.

Our goal is to create a meaningful baseline of small business employment practices reaching small businesses across the nation. Ultimately, we hope to create a dataset that would allow entrepreneurs to compare their results to their peers, allow workforce development agencies to quickly identify potential employment partners, and offer CDFIs and other socially responsible capital providers an objective metric to include in their investment decisions. This opportunity to provide value to entrepreneurs and lenders alike will allow us to widely promote good employment practices, and truly begin to build a world in which every worker has access to a good job.

ICA GOOD EMPLOYER MATRIX (GEM)					
Mission-Aligned Metrics		A	B	C	E
		Baseline			Ideal
Wages	Wages	Employees make at least minimum wage; all employees on payroll	Median wage for front-line workers is above minimum wage	Median wage for front-line workers is 2X above minimum wage; financial models project future wage increases	Employees only work one job and are thriving
	Pay Cycle Frequency	Consistent, on-time and published pay cycle schedule	Consistent, on-time, published, and employee-centered pay cycle schedule	Consistent, on-time, published, and employee-centered pay cycle schedule	Consistent, on-time, published, and employee-centered pay cycle schedule
Scheduling Practices	Scheduling Practices	Follows scheduling laws; posts schedules at workplace	1 week schedule notice; on-call pay	1 week schedule notice; on-call pay	Complies with SF Retail Worker Bill of Rights
	Access to Hours	Schedule includes FT and PT	Additional hours made available to PT employees before hiring additional FT	Flexibility in shift changes between employees; ability to work hours in lieu if possible	Employee has access to type of schedule that meets their needs
Benefits	Leave & Accrued Sick Leave	Complies with Federal & State week/daily day laws	Complies with Federal & State week/daily day laws; all managers trained in leave policies	Accrual of sick leave at higher rate than required	Additional paid parent leave and sick leave
	PTO	None	Offer of PTO by hourly annual	Offer of PTO by hourly accrual at higher rate	Schedule for PTO that increases each year
	Medical Insurance	Insurance available to no employees or only some employees	Employer covers 0% - 50% of premiums of insurance for all employees	Employer covers 50% - 80% of premiums of insurance for all employees and 50% of insurance for dependents	Employer covers 100% of insurance for all employees and 50% of insurance for dependents
	Dental Insurance	Insurance available to no employees or only some employees	Employer covers 0% - 50% of premiums of insurance for all employees	Employer covers 50% - 80% of premiums of insurance for all employees and 50% of insurance for dependents	Employer covers 100% of insurance for all employees and 50% of insurance for dependents
	Vision Insurance	Insurance available to no employees or only some employees	Employer covers 0% - 50% of premiums of insurance for all employees	Employer covers 50% - 80% of premiums of insurance for all employees and 50% of insurance for dependents	Employer covers 100% of insurance for all employees and 50% of insurance for dependents
	Retirement (401K, IRA, employee stock option, profit sharing, other)	None	Plan available, employee contribution only	Plan available with employer contribution	Plan available with increased employer contribution
	Wealth Sharing (employee stock option, profit sharing, other)	None	Financial modeling includes plan for future wealth sharing	Wealth sharing of 2%	Wealth sharing of 10%
	Additional Insurances (life, long-term disability, long-term care, supplemental short-term disability, FSAs, etc.)	None	1 additional insurance offered, employee contribution only	2 additional insurances offered, employee and employer contributions	3+ additional insurance offered, employee and employer contributions
	Emergency Fund	None	Employee contributes \$X per paycheck	Employee contributes \$X per paycheck	Employee matches employee contributions per paycheck
	Commuter Benefits	Complies with State commuter benefits	Employees linked with city/state programs	Employees linked with city/state programs	Employees reimbursed up to \$X
Culture	Child/Elder Care Plan	None	Employees linked with city/state programs	Employees linked with city/state programs	Employee reimbursed up to \$X
	Diversity	Conceptual commitment to diversity no action plan	Conceptual commitment to diversity with action plan	Signs of diversity reflected in hiring strategy; provides diversity training to managers	Highly diverse workforce across the business; Provides diversity training to all employees; Diversity key value of business
	Communication	Conceptual commitment to communication; informal and/or inconsistent communication style	Engages in educational opportunities to learn communication techniques that meet staff needs	Scheduled meetings; inefficiently managed	Regular and effective communication using different modes
	Team Development	Conceptual commitment to team development no action plan	Conceptual commitment to team development with action plan	Provide team building opportunities and events to encourage cohesion and industry	Teams are empowered to make decisions and solve problems together
	Culture Magnification	Conceptual commitment to culture magnification no action plan	Positive company culture is felt, but not defined or reflected	Company culture is defined and frequently referred to in various ways	Company culture is magnified throughout all aspects of company; Company culture is over communicated and utilized daily
	Community Outreach	Conceptual commitment to community outreach no action plan	Occasional community outreach programs	Request community outreach programs; support employees in volunteer opportunities	Community outreach program is defined, shared with employees, and reflected in financial models
	Create Empathetic Workplace	Conceptual commitment to creating an empathetic workplace no action plan	Owners demonstrate concern for well-being of employees through daily interactions	All leaders given opportunities to learn and practice empathy	All employees are given opportunities to learn and practice empathy
	Onboarding	Conceptual commitment to onboarding no action plan	Informal introduction to company, mission/vision/values, team members, and job responsibilities	Formal introduction to company, mission/vision/values, team members, and job responsibilities	Formal introduction supervised by owner or peer with structured feedback loop
Professional Development & Career Ladders	Hiring Practices	Conceptual commitment to creating a hiring strategy that is consistent across positions	Defined hiring strategy that is consistent across positions	Hiring strategy is consistent but tailored to be inclusive of diverse applicants	Hiring strategy designed to be inclusive of diverse individuals who are likely to succeed by differentiating between natural talents and trainable skill set
	Appreciation	Conceptual commitment to providing employee appreciation no action plan	Owners model sporadic appreciation (verbal/written)	Owners model consistent appreciation and empower leaders to recognize their employees	Structured and unstructured appreciation systems (verbal/written) recognizing diverse contributions and are captured in evaluations
	Leadership Development	Conceptual commitment to leadership development no action plan	Owners provide focused professional development resources for leaders (books, online resources)	Formal leadership training program with consistent feedback from owners	Leadership regularly receives mentoring or coaching matched with increased responsibility
	Learning & Development	Conceptual commitment to learning and development no action plan	Training programs developed for each specific department including cross-training	Employees who request to learn new skills are accommodated	Owners consistently assess team and identify talent in order to offer learning & development opportunities to employees who show potential but do not ask for new skills
	Performance Evaluation	Conceptual commitment to performance evaluation no action plan	Written job descriptions; informal performance evaluation process	Written job descriptions & formal performance evaluation process with bi-annual feedback	Formal performance evaluation process with goal of providing transformational feedback (to be defined) at all levels
	Internal Promotions & Lateral Transfers	Employees moving throughout company as needed; conceptual commitment to structured internal communication of job openings	Clear and consistent internal communication of job openings	Leaders trained in identifying competence in emerging leaders	Training and development provided and paid by employer to develop emerging leaders
	External Learning & Development	Conceptual commitment to external learning & development no action plan	Professional development seminars and classes offered commensurate	Tailored professional development seminars and classes offered to specific departments and reflecting employee preferences	Company provides annual training budget per employee
	Coaching	Conceptual commitment to coaching no action plan	Informal coaching by internal staff	Formal coaching provided externally	Formal coaching as requested for all staff
HR Business Strategies	Compliance	Owner has minimal understanding of state and federal laws, but does not currently have HR staff	Owner has full understanding of state and federal laws, but does not currently have HR staff	Owner utilizes third party HR consultant and is compliant	Owner creates HR department

Appendix H. New Hampshire Community Loan Fund's Engage Employees Best Practices

Business best practices

Employees are engaged in a business's success when they feel, think and act like owners. Successful strategies to engage employees include the following:

Build trusting relationships

Trust, honesty, inclusivity and corporate integrity are key values in the workplace. They are further developed through day-to-day interactions with employees, are commonly referenced and acted upon. Diversity of ideas, personal styles, and ethnic backgrounds are considered strengths. Leaders reinforce the value of diverse contributions from employees. Status distinctions (office arrangements, language) are reduced. Employees work in a healthy, safe and secure environment.

Offer competitive compensation and profit-sharing

Compensation and benefit levels are competitive and part of a broader reward-and-recognition program that reinforces the values and behaviors that benefit the business. Company has an ongoing process for benchmarking and checking in with employees about what benefits are valued. Compensation increases with improved personal and business performance. Employees share the business's profits based on an objective plan.

Support employees' personal and professional growth

The business invests in growing the knowledge, skills and abilities of its employees. Training that supports personal growth and enhances business success needs are identified, encouraged, and provided. Skill-building resources are accessible to all employees, whether they strive for promotion, lateral movement or growth in their current positions. The business tries to fill job openings from within.

Share business information openly

Key business performance indicators are shared regularly with employees. Employees are sufficiently trained to read and understand the performance indicators and believe in their credibility. Employees understand how the quality of their work and their productivity affect the business's performance.

Decision-making is sufficiently decentralized so that employees are given the authority needed to accomplish their tasks. Employees engage in continuous improvement of products and support processes.

Minimize hierarchy and promote employee involvement

All employees are allowed and encouraged to participate in creating value for the business. Employees have a variety of ways to influence working conditions and how the business meets its goals. Participation allows the business to maximize the use of its employees and reveals their skills.

Use positive reinforcement to motivate employees

Supervisors see themselves as coaches and use positive motivation techniques. Employees work collaboratively with their coaches to set goals and objectives for their own position, for themselves and for the business. Employee feedback on their coaches is solicited. Employee performance is measured, benchmarked against goals, and used to establish goals for the next performance evaluation period. Where possible, goals are set forth in a manner that allows objective evaluation.

Preserve job security

The business values the long-term tenure of its employees and makes an effort to preserve jobs when health/family issues affect performance. The company is cautious not to over-hire during good times and effectively avoids or mitigates layoffs. When layoffs do happen, the process is handled in ways that reflect the company's shared values.

Commit to company and employee involvement in community

The business recognizes its interdependence with the local economy, the environment and community. The business fosters an open relationship with the community in which it operates and is sensitive to the community's culture and needs. The business acts to minimize the negative environmental impact of its work. The business invests in the local economy and community and is an active partner in local programs and issues that make the community a better place to live and conduct business. Employees are encouraged to engage in volunteer activities and local charitable giving.

ICA GOOD EMPLOYER MATRIX (GEM) - Page 2					
Mission-Aligned Metrics		A	B	C	E
		Baseline			Ideal
Culture	Diversity	Conceptual commitment to diversity no action plan	Conceptual commitment to diversity with action plan	Signs of diversity reflected in hiring strategy; Provides diversity training to managers	Highly diverse workforce across the business; Provides diversity training to all employees; Diversity key value of business
	Communication	Conceptual commitment to communication; Informal and/or inconsistent communication style	Engages in educational opportunities to learn communication techniques that meet staff needs	Scheduled meetings; Efficiently managed	Regular and effective communication using different modes
	Team Development	Conceptual commitment to team development no action plan	Conceptual commitment to team development with action plan	Provide team building opportunities and events to encourage cohesion and inclusivity	Teams are empowered to make decisions and solve problems together
	Culture Magnification	Conceptual commitment to culture magnification no action plan	Positive company culture is felt, but not defined or referred to	Company culture is defined and frequently referred to in various ways	Company culture is magnified throughout all aspects of company; Company culture is over-communicated and utilized daily
	Community Outreach	Conceptual commitment to community outreach no action plan	Occasional community outreach programs	Frequent community outreach programs; support employees in volunteer opportunities	Community outreach protocol is defined, shared with employees, and reflected in financial models
	Create Empathetic Workplace	Conceptual commitment to creating an empathetic workplace no action plan	Owners demonstrate concern for well-being of employees through daily interactions	All leaders given opportunities to learn and practice empathy	All employees are given opportunities to learn and practice empathy
	Onboarding	Conceptual commitment to onboarding no action plan	Informal introduction to company, mission/vision/values, team members, and job responsibilities	Formal introduction to company, mission/vision/values, team members, and job responsibilities	Formal introduction supervised by owner or peer with structured feedback loop
	Hiring Practices	Conceptual commitment to creating a hiring strategy that is consistent across positions	Defined hiring strategy that is consistent across positions	Hiring strategy is consistent but tailored to be inclusive of diverse applicants	Hiring strategy designed to be inclusive of diverse individuals who are likely to succeed by differentiating between natural talents and trainable skill set
Professional Development & Career Ladders	Appreciation	Conceptual commitment to providing employee appreciation no action plan	Owners model specific appreciation (verbal/written)	Owners model consistent appreciation and empower leaders to recognize their employees	Structured and unstructured appreciation systems (verbal/written) recognizing diverse contributions and are captured in evaluations
	Leadership Development	Conceptual commitment to leadership development no action plan	Owners provide focused professional development resources for leaders (books, online resources)	Formal leadership training program with consistent feedback from owners	Leadership regularly receives mentoring or coaching matched with increased responsibility
	Learning & Development	Conceptual commitment to learning and development no action plan	Training programs developed for each specific department including cross-training	Employees who request to learn new skills are accommodated	Owners consistently assess team and identify talent in order to offer learning & development opportunities to employees who show potential but do not ask for new skills
	Performance Evaluation	Conceptual commitment to performance evaluation no action plan	Written job descriptions; Informal performance evaluation process	Written job descriptions & formal performance evaluation process with two-way feedback	Formal performance evaluation process with goal of providing transformational feedback (to be defined) at all levels
	Internal Promotions & Lateral Transfers	Employees moving throughout company as needed; conceptual commitment to structured internal promotions	Clear and consistent internal communication of job openings	Leaders trained in identifying competence in emerging leaders	Training and development provided and paid by employer to develop emerging leaders
	External Learning & Development	Conceptual commitment to external learning & development no action plan	Professional development seminars and classes offered company-wide	Tailored professional development seminars and classes offered to specific departments and reflecting employee preferences	Company provides annual training budget per employee
	Coaching	Conceptual commitment to coaching no action plan	Informal coaching by internal staff	Formal coaching provided externally	Formal coaching as requested for all staff
HR Business Strategies	Compliance	Owner has minimal understanding of state and federal laws, but does not currently have HR staff	Owner has full understanding of state and federal laws, but does not currently have HR staff	Owner utilizes third party HR consultant and is compliant	Owner creates HR department

Appendix I. CEI's Employment Training Agreement (ETAG)

THIS AGREEMENT is entered into by and among the following Parties:

CEI, a non-stock corporation organized and existing under the laws of the State of Maine with a principal place of business at Wiscasset, Maine; and

COMPANY NAME, a _____ (**TYPE OF BUSINESS**), organized and existing under the laws of the State of Maine and with principal (headquarters) place of business in TOWN/CITY Maine, COUNTY, hereafter referred to as the Company.

WHEREAS, the Company is engaged in a business operation that directly offers employment and training opportunities; and

WHEREAS, CEI has made an investment in the Company for purposes consistent with CEI's investment activities, primary among which is to enhance employment and training for persons eligible for any State or Federal Training Programs, and CEI's _____ (**FUNDING SOURCE**) Program Criteria, and hereafter referred to as Program Trainees; and

WHEREAS, the Company is committed to providing employment and training for Program Trainees;

WHEREAS, the Company is committed to targeting a percentage of jobs being created for economically disadvantaged job seekers; and

WHEREAS, the Company wishes to work with service & training partners;

NOW THEREFORE the Parties agree as follows:

A. The Company shall:

Target ____% of new jobs created as a result of the injection of CEI designated loan funds for qualified economically disadvantaged job applicants, including, but not limited to: individuals who are eligible for public assistance funds; beneficiaries of services provided through the Maine Department of Human Services Temporary Assistance for Needy Families program (TANF/ASPIRE) and the Maine Department of Labor.

1. Workforce Investment Act programs, including dislocated workers, unemployed workers, veterans, and youth programs, unless these Program Trainees are not available, in which case the Company shall hire and train other low to moderate income Program Trainees;
2. Hire and train in conformance with the Employment and Training Assessment Workforce Development Implementation Plan attached hereto as Schedule I for as long as CEI's loan exists, including those positions arising from unsuccessful placement or termination;
3. Conform with applicable Federal and State job training and education program rules and regulations as determined by the provider(s) of such program(s);
4. Provide Program Trainees the Company's standard employee benefit package;
5. Report to CEI on employment activity including: notification of new job openings, hiring of individuals referred through employment and training program providers, and ensure CEI Certification Forms are provided to new employees for submission to CEI; and
6. Provide CEI with information that CEI reasonably determines is necessary for evaluating the effectiveness of this Agreement.

B. CEI shall:

1. Facilitate implementation and modify as necessary the Employment and Training Agreement and workforce assessment in the attached Schedule I, acting as the brokering servicing entity, access and coordination point for the company;
2. Evaluate the performance of the Parties and the effectiveness of this Agreement by:
 - a. maintaining ongoing communications with all Parties;
 - b. ensuring compliance with ETAG and "targeted job placements"; and
 - c. monitoring hiring, employment and training activities for evaluation purposes.
3. As appropriate, assist the Company in accessing federal and/or state resources to support the training of Program Trainees and incumbent workers, as well as other resources that address business needs.

IN WITNESS WHEREOF the Parties have executed this Agreement on the date indicated below.

CEI Workforce Solutions
Company _____

By: _____ By: _____
Its: _____ Its: _____

Appendix J. CEI's Employment and Training Agreement Assessment

BUSINESS NAME: _____

Management/CEO Contact: _____
 (Name) (Email)

Human Resources Department: Yes No _____
 (Name) (Email)

Address: _____

Telephone: _____ **Fax:** _____ **Website:** _____

Type of Business: _____ **Product or Service:** _____

Organizational Structure: _____
 (Ownership: corporation, partnership, sole proprietorship, non-profit, public sector)

Company Background: _____

Business/Organizational Memberships: _____

Community Involvement: _____

Work Environment/Health and Safety Review: _____

Written Safety Policy/Practices: Yes No (attach copy)

Worker's Comp Claims: Yes No # Claims _____ Mod Rate: _____

Environmental Metrics:

Recycling program Materials & waste reduction program

Energy efficiency program

Enviro-sensitive purchase program

Other _____

WORKFORCE & JOB CREATION

Number of Employees: PT: _____ FT: _____ Seasonal: _____ Temp: _____

Recruitment Sources: _____

Turnover: _____

Workforce Demographics:
 Approximate % within 3-5 years of retirement ___ % Male ___ % Female ___

Non-traditional Job Opportunities: _____
Shifts/Hours of Operation: _____

New Job Creation: Projected employment within 1-2 years _____ 3-5 years _____

Total # jobs projected: _____ Total # jobs targeted: _____

Job Title	# of Positions	Entry/Semi/Skilled	Wage/Salary
Year 1	_____	_____	_____
Year 2	_____	_____	_____
Years 3-5	_____	_____	_____

JOB DESCRIPTIONS

Written Job Descriptions: Yes No

Job Title: _____

Knowledge, Skills, Abilities required: _____

Job Title: _____

Knowledge, Skills, Abilities required: _____

Examples of Wage Progression/Upward Mobility Opportunities: _____

Frequency of Evaluations and Raises: _____

TRAINING

Describe Worker Orientation: _____

Does the company provide training? Yes No **If yes, what type(s):** _____

- Computer _____
- Technical Training/Vendor _____
- Leadership/Management Training _____
- On-the-job Training (OJT) _____
- Safety Training _____
- Company interest in free occupational health and safety training; worksite consultations & evaluation; or technical support to help reduce injuries and workers' compensation costs
- Other _____

Does the company provide educational assistance programs? Yes
 No

If yes, explain details: _____

Incumbent Worker Training: workforce education needed to remain or become more competitive in any of the following areas?

- | | |
|---|--|
| <input type="checkbox"/> Written Communication | <input type="checkbox"/> Leadership |
| <input type="checkbox"/> Interpersonal Communication | <input type="checkbox"/> Certifications/Licensing |
| <input type="checkbox"/> Computer | <input type="checkbox"/> Supervisory Training |
| <input type="checkbox"/> Sales | |
| <input type="checkbox"/> Customer Service | <input type="checkbox"/> Safety |
| <input type="checkbox"/> Diversity/Cultural Awareness | <input type="checkbox"/> New Equipment/Machinery; New Processes/Technologies |
| <input type="checkbox"/> Teamwork | |
| <input type="checkbox"/> Other _____ | |

EMPLOYEE BENEFITS

- Medical Insurance _____
- Vision Insurance Coverage _____
- Dental Insurance _____
- Life Insurance _____
- Short-term Disability _____
- 401K/Pension Plan _____
- Stock Options _____
- Bonus Plans _____
- Discounts _____

- Paid Bereavement _____
- Paid Holidays _____
- Paid Sick Days _____
- Wellness/Health Programs _____
- Childcare Assistance _____
- Other _____

HUMAN RESOURCE SUPPORT

Would you like **information** or would you be interested in **assistance/workshops** related to any HR topics? _____

MOST CRITICAL NEEDS (May have been identified up front, or may have evolved during assessment)

1. _____
2. _____
3. _____
4. _____

WRITTEN MATERIALS CHECKLIST:

Review

- ETAG
- New Employee Certification Form
- Monthly/Quarterly Employment Report
- Job Notification

Documents

- Job Descriptions
- Employee Wages/Salaries (payroll) - Optional
- Personnel Policies
- Benefits Package
- Safety Manual

BROKERING EDUCATION/TRAINING SERVICES:

Training Interests: OJT Customized Skills Vocational
 Pre-Apprenticeship Registered Apprenticeship Other _____

Regional Education/Training Providers: (Describe & include local contact)

Regional ASPIRE Office _____
 Career Centers/WIA _____
 Pre-Apprenticeship/Apprenticeship Training _____
 Adult Education _____
 Career & Technical Education (CTE) _____
 Post-Secondary Education _____

Training Resources:

Governors Training Initiative
 Quality Center Program
 OJT
 Other

GOALS & RECOMMENDATIONS

GOAL #1 – To hire a % of low and moderate income individuals, and targeted populations

Recommendation(s):

- Ongoing communication and assistance with recruitment and referral for targeted individuals for open positions
- Introduction to community based education and training programs serving low-moderate income populations
- Company Tour to introduce and orient community service providers to company

GOAL #2:

Recommendation(s):

GOAL #3:

Recommendation(s):

GOAL #4:

Recommendation(s):

CONSULTING AGENCY ACTIONS:

1. _____
2. _____
3. _____
4. _____
5. _____



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