



Accelerating Regional Job Creation and Innovation

A Closer Look at a Promising New Federal Program

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Introduction and summary

Since the start of the Great Recession in late 2007, the biggest concern on the minds of most Americans is the job market. With unemployment stubbornly stuck at around 9 percent, and with the global economic picture threatening more difficult times ahead, the biggest question is what we can do in the public and private sectors to spur job creation.

The Economic Development Administration's Jobs and Innovation Accelerator Challenge is one federal program providing its own compelling answer. This new program is a great example of doing what works—leveraging existing resources to do more with less. The program brings together three previously unrelated programs in separate agencies to make available approximately \$37 million in joint grants for coordinated economic development, small business, and workforce-training investments in 20 regions around the country.

The first is the 7(j) small business technical assistance program from the Small Business Administration, which authorizes the SBA to enter into grant or contract agreements with public or private organizations to provide management or technical assistance to workers and enterprises in underserved, high-unemployment, or low-income regions.¹ Approximately \$3 million of the program's existing budget authority of \$6.6 million will be directed towards the Jobs Accelerator.

The second is the H1-B job training grants program from the Department of Labor, which provides funding and support for educational institutions, job-training organizations, and civic job-skills projects that encourage skill development needed to enter high-growth industries and industries that “are being transformed by technology and innovation requiring new skill sets for workers.”² About \$19.5 million from the program's \$240 million will be used to facilitate job training and placement assistance in

industries in which employers are using H-1B visas to hire foreign workers due to lack of American workers with the needed skills.

The third is the Economic Adjustment Assistance program from the Economic Development Administration, which provides a wide range of technical planning, public works, and infrastructure assistance to entities in regions suffering through adverse economic changes.³ The roughly \$14.5 million that the EDA will contribute to the Accelerator represents the bulk of all EDA technical-assistance funding.

Combining these three programs the Economic Development Administration recently announced 20 challenge winners out of 121 applicants, to receive an average of \$1.8 million each.⁴ The winners were selected based on their ability to leverage federal economic development, workforce, and small-business funds to help grow regional innovation clusters that will bring an estimated 4,800 jobs to communities around the country. The winning public-private partnerships are expected to leverage about \$69 million in private capital to boost regional innovation and job growth in their areas.

Winners included technology clusters, entrepreneurship accelerators, and other projects crisscrossing the country, from Georgia to Washington, California to Kansas, Missouri, and Kentucky.⁵ One of the winners is the Advanced Composites Employment Accelerator, based in Roane, Tennessee.⁶ With the help of \$1.6 million in funds from the SBA, EDA, and DOL, Roane State Community College will identify supply-chain gaps in their regional composite materials industry, create a new two-year associate's degree program in the applied science field to train workers to participate in that industry, and conduct outreach to existing companies in the region to engage with strategic local industrial goals.

Another example is the St. Louis Bioscience Jobs and Innovation Accelerator Project, where \$1.8 million in federal support will help the Economic Council of St. Louis, the St. Louis Agency on Training and Employment, and the St. Louis Minority Supplier Development Council collaborate to accelerate commercialization of the cutting-edge life science research coming out of St. Louis's world-class research universities and bioscience firms.⁷ A third example is the United Tribes Technical College of North Dakota, which will convene a network of federal, state, local, and tribal project participants to develop curricula and support entrepreneurship in environmental engineering and resource-management services.⁸

The Jobs Accelerator program is set to punch well above its weight. There are three important reasons why this small program is particularly worthy of further attention:

- **Focus**—promoting growth where it really happens, in communities and working with the private sector

- **Collaboration**—bringing together a diverse array of regional actors with a shared stake in the economic fate of their regions alongside 16 government agencies—three for funding and 13 for technical assistance—whose pooled resources the program leverages to ensure these winners succeed
- **Return on investment**—delivering a compelling and measurable return on federal dollars, which is all the more critical in our current budget environment

This issue brief will examine each of these important attributes in this unique federal program. There are vital lessons here for policymakers at the federal, state, and local levels as well as for business leaders and nonprofit groups across the many economic regions of our nation. The reason: This approach offers a uniquely American way to develop bottom-up economic growth strategies that are in sync with the business and economic realities in local communities nationwide.

Regional innovation clusters: Growth on the ground

A large and growing body of evidence shows that the United States does not have one homogenous national economy but rather a patchwork of heterogeneous regional economies, each with a unique portfolio of infrastructural, human capital, institutional, and economic assets. Furthermore, studies show that the geographic agglomeration of these assets and their associated business activity correlates with enhanced, even exponentially improved, economic outcomes.⁹

One reason for this is that shared infrastructure, markets, and talent pools foster a cross-fertilization of ideas and business interactions among diverse economic actors, leading to the formation of what scholars call innovation clusters or networks. Recent studies in the United States, the United Kingdom, Canada, and elsewhere suggest that the inventors, entrepreneurs, and manufacturers located in these clusters or networks are more innovative than those not in clusters.¹⁰ These networks in turn lead to new business opportunities, business models, industries, and technologies—all of which add up to more jobs.

Other studies show that clusters encourage entrepreneurship. Innovative startups in clusters have better survival rates, employ more people, and pay higher wages than those not in clusters.¹¹ This “cluster effect” is also linked to a positive influence on firm productivity, industrial performance, average personal income, rates of employment growth, and patent filings compared with firms and regions not associated with innovation clusters.¹²

But while there is much recent evidence connecting bottom-up innovation in our nation’s regions to job creation and economic growth, our federal programs are still organized around outdated, even obsolete sector-specific policy silos. Scholars and

policymakers from both sides of the aisle are increasingly advocating for policies that take these findings into account.

For innovation to take root in regional economies, those economies must have innovative firms, labs, and universities. But just as importantly, they must have manufacturers, a high-skill workforce talent pool, and access to markets and capital. Absent any one of these components—even in the presence of the others—job growth will flounder. The Jobs and Innovation Accelerator program addresses the need to invest simultaneously in all of these components. It will help regional economies blossom by streamlining the process of obtaining federal funds for each of these core components of growth.

The Jobs Accelerator: A sum greater than its parts

A detailed case study of regional economic development recently identified that one of the biggest hurdles to effectively accessing federal funds is that programs tend to be both complicated and “siloeed.”¹³ In other words, business and civic leaders from a particular region could have a great economic development plan that depends on federally supported workforce training, a small business loan, and technical assistance from three different agencies. But accessing each separately is cumbersome and costly, and there is no guarantee that their plan would be approved for funding for each component because there has traditionally been little coordination among siloeed agencies.

It stands to reason that if a cluster is competitive and promising enough to merit support from one federal agency, then the same project could well merit support from another. The question is whether the participants in a cluster—participants that often don’t self-identify as belonging in a cluster—can find the resources, time, and bandwidth to walk through a government labyrinth. By bringing together 16 federal agencies—three for funding and 13 for technical assistance—the Accelerator program corrals different agencies into one tent so that they can better serve those best able to maximize public resources. And by crafting the federal program as a competitive grant, the Accelerator requires the regions pitching for the funds to self-organize and design a program that fits their unique needs.

We have seen this type of cooperation before with the Department of Energy’s successful Energy Regional Innovation Cluster program, which is now helping accelerate energy innovation and commercialization.¹⁴ Launched last year the program pioneered a new role for the Economic Development Administration as a convener of siloeed agencies around shared goals of regional economic development, small-business development, and energy-efficiency technology innovation. The stakes were high in this competition. Instead of 20 separate regional winners, the Energy Regional Innovation Cluster competitive grant program had only one winner, which received \$129 million in funding and programmatic support from seven federal agencies.

Following the funding decision in the fall of 2010, the Center for American Progress co-convened a meeting of top stakeholders from the participating agencies as well as from six of the 30-some applicants to review the strengths and weaknesses of this new approach to interagency coordination around economic development. The consensus from the meeting was that scarce federal resources would be better spent by giving out a greater number of smaller bundles of funding, rather than a single big one—and that is exactly what the Jobs Accelerator program does.

But participants of the fall meeting—both winners and losers of the Energy Regional Innovation Cluster competition—overwhelmingly supported the underlying idea that the federal government has a role to play as convener of regional players. The simple act of thoughtful coordination of federal funding for related activities, participants agreed, allows taxpayer money to be spent more effectively and efficiently to create more jobs by leveraging private capital.

What's more, many of the applicants present at our meeting who did not receive federal funds concluded that even though they didn't win a single federal dollar, they benefited simply from the relationships and plans formed in the process of putting the application together. Many of the nonwinning applicants indicated that the plans developed during the application process were so strong that they would move ahead with state, local, and private funding even in the absence of federal dollars.

This suggests that there could be even further ancillary benefits outside of those measured and reported over the next two years by the winning applicants. For example, Georgia Tech, which failed in its bid for the Energy Regional Innovation Cluster grant, came back to win a Jobs Accelerator grant for health information technology. “Win or lose, the relationships developed through participating in these competitive programs are valuable,” said Chris Downing, director of industry services at Georgia Tech's Enterprise and Innovation Institute, whose office put together the applications for both the E-RIC and the Jobs Accelerator challenge.

With funding and support from the 16 agencies involved in the Jobs Accelerator, Georgia Tech will stimulate new business ventures and create jobs through development and commercialization of health information technologies. This is a powerful example of doing what works by bringing together scarce resources to deliver on our most pressing need—jobs.

Return on investment

The Jobs Accelerator grantees promise to deliver a strong return on investment for taxpayers and private and nonprofit participants alike. For \$37 million in federal dollars, the Accelerator program already has committed local match funds of \$13 million as part

of the grantee application process and expects to leverage \$69 million from the private sector. These funds are also projected to launch 339 new businesses across the country.

But as the title of the program itself suggests, the metric that is most important in this economy is jobs. Taken together, the winning cluster plans will create an estimated 4,800 jobs, meaning a federal cost per job of about \$7,700—an impressive return on investment. The plans are also projected to help retain 2,400 jobs and train 4,000 workers for careers in technical, high-growth sectors—meaning \$37 million in micro-investments on the ground will have a substantial impact.¹⁵

Going to scale?

With a return on investment this compelling, two questions immediately follow. First, what monitoring is in place to ensure these plans deliver? And second, if the promise of the Jobs Accelerator is fulfilled, then how can we take it to scale? Let's consider each question in turn.

Monitoring

Doing What Works published a “Design for Success” checklist as a tool for new government programs so that policymakers can ask—and answer—the right questions to ensure effectiveness.¹⁶ The questions relate to:

- Articulating goals and cost estimates
- Focusing on whether the right approach is being deployed to address the problem
- Providing evidence that the program is likely to achieve its goals
- Asking whether the program is establishing the right incentives
- Reflecting on whether the implementation phase is likely to be successful
- Ensuring the program is monitored for success and effectiveness

The Accelerator program boasts a clear goal (jobs through existing, promising regional innovation clusters) and focuses on the right approach (bringing together key agencies to leverage government resources). The evidence is promising, and by the projections of private-sector participation, the Accelerator seems to have appropriately aligned incentives.

What that leaves us with is implementation and monitoring. Here, the Economic Development Administration and its fellow participating agencies are taking care to monitor the results of the first round of grantees. The EDA has a track record in publishing metrics related to how its investments have resulted in private-sector investment and jobs created, and this is a critical part of the monitoring process.

If there is to be a second Jobs Accelerator round—and based on early indications, we hope that there will be—there is also, no doubt, opportunity to learn from the first round to improve the second. The Accelerator program allowed participants to use a single application process to access funds from the three agencies (EDA, Department of Labor’s Employment & Training Administration, and the Small Business Administration), but they still had to submit in triplicate. Furthermore, each of the three pots of funds received by applicants must be apportioned to three strictly segregated activities, limiting flexibility.

An executive order directing participating agencies to use a single application would be a straightforward improvement to the process. There also may be additional learning in funding delivery, which should be brought to bear on subsequent Accelerator rounds.

In “Silos of Small Beer: A Case Study of the Efficacy of Federal Innovation Programs in a Key Midwest Regional Economy,” the authors imagined “a process that would be seamless as ideas were vetted and augmented by good advice and sound mentoring, moving along the stages of financing in support of strong regional economic development based on the regions’ self-organized competitive strengths.”¹⁷ With regional economic development now more than ever a national imperative, that is the standard to which the Accelerator would do well to keep tracking.

Funding

The EDA itself is a small team with a big challenge. Its mission “is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.” EDA’s budget for fiscal year 2011 was \$284 million, representing less than one-tenth of 1 percent of nondefense discretionary spending.

In this budget environment, government agencies are rightly focused on ensuring scarce taxpayer dollars are going to the highest value programs. For EDA, with such a small pot of funds to begin with, this is especially true.

If necessity is the mother of invention (in government, as outside it), then perhaps it was the small size of the EDA itself that underscored the need to collaborate with other agencies. And yet interagency collaboration is exactly the type of activity we need to promote if we are to overcome economic challenges and improve our competitiveness. Targeting scarce resources scattered across different agencies on one coordinated key goal enables a little bit more funding to go a longer way in achieving this objective.

The first round of the Jobs Accelerator had total funding of \$37 million, coming from three sources: EDA (\$14.5 million), the Department of Labor (\$19.5 million), and the

Small Business Association (\$3 million). So with \$37 million supporting 20 clusters, growing the program to \$200 million could support more than 100 clusters. If 100 sounds like a lot, consider that it is an average of only two per state.

Also consider that the top 100 U.S. metro areas occupy only 12 percent of the nation's landmass but contain two-thirds of its people and produce three-quarters of the country's gross domestic product.¹⁸ 100 grants can go a long way. And it is clear there is a large appetite in regions for this program. Despite only allowing 45 days for the initial application process, 121 clusters applied.

As the Obama administration considers its 2013 budget, every program will be under increasing scrutiny. Due to the Budget Control Act of 2011, the outcome of the debt limit deal forged by Congress this past summer, nondefense discretionary spending faces cuts of 11 percent. This comes at a time when Americans acutely understand the reality that the biggest challenge facing the country is how to get millions of unemployed Americans back to work.

That is why now more than ever we need to be finding and backing the programs that work—programs that have a clear focus on growth, leverage government resources through strategic collaboration, and offer a strong return on investment to taxpayers.

All indicators suggest that the Jobs and Innovation Accelerator represents a step in the right direction.

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Endnotes

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