Makaelah Saunders, a student in the medical assistant program at Greater New Bedford Regional Vocational Technical High School, in April 2017. (Photograph by Mark Ostow)

ECONOMY / EDUCATION / STATE GOVERNMENT / OPINION

Four big mistakes government makes in economic development — and how to avoid them

Coordination, partnerships, and a focus on overall business climate are key

JAY ASH **and** JAMES PEYSER **Aug 19, 2023**

THE FEDERAL GOVERNMENT has launched its most ambitious investment in economic development since the Great Depression. With the CHIPS and Science Act, the Bipartisan Infrastructure Law, and the Inflation Reduction Act, not to mention the flexible funds that have been deployed through the American Rescue Plan, there is more than $2 trillion in new money available to states, municipalities, and businesses to rebuild neglected transportation and energy systems, restore critical supply chains, expand manufacturing in keystone industries, and accelerate commercialization of leading edge technologies.

Of course, government-led investments in economic development can, but don't always, yield positive returns. Here are four common mistakes that can undermine even the best laid plans – and that policymakers, communities, and employers would do well to avoid as they seek to leverage these transformational investments:

First, **governments too often neglect to keep their eye on the ball when it comes to the overall business climate.** Core responsibilities like efficient transportation and energy infrastructure, affordable housing and health care, and high-quality education need to be ongoing priorities, while burdensome regulatory and tax policies that reduce prospects for job creation, entrepreneurship, and new business formation need to be streamlined to accelerate innovation and strengthen competitiveness.

Second, **governments tend to think about economic development and workforce development as two separate things**, each with its own bureaucracies, constituencies, and revenue streams. In reality, economic and workforce development are inextricably linked – especially in a knowledge and technology-based economy like ours in Massachusetts. Equally important is the availability of an education system that produces graduates with relevant skills and credentials, while providing opportunities for research partnerships to help create the innovation and intellectual capital that powers growth.

Third, **governments generally take a transactional approach to resource allocation,** making disconnected grants or investments that fail to take advantage of other supportive programs that leverage multiple funding sources to improve the odds of success – especially to tap into an expanded and more diverse workforce.

And finally, **governments and their regional partners lack the kind of open and integrated data systems** they need to set priorities, track progress, enable continuous improvement, and ultimately, evaluate success. A first step is the development of cross-agency data sharing agreements that enable the matching of deidentified data sets to track program utilization and long-term outcomes.

Gov. Charlie Baker tackled these challenges when he created the Workforce Skills Cabinet, on which we served, bringing together the secretaries of housing and economic development, labor and workforce development, and education, in order to coordinate state-level data, policies, and resources, and to help deepen cross-sector collaboration within seven regions of the Commonwealth.

Secretary of Housing and Economic Development Jay Ash (second from left), Secretary of Education Jim Peyser (right), and Secretary of Labor and Workforce Development Ronald Walker, II, who made up the Workforce Skills Cabinet under Gov. Charlie Baker, at a September 2016 event with Lt. Gov. Karyn Polito at Haverhill High School highlighting the Workforce Skills Capital Grant program. (Photo via Flickr/Massachusetts Governor's Office)

As members of the Workforce Skills Cabinet, we worked hard to create meaningful progress, but we know it was just a start. With the potential for significantly greater investment leveraging new federal funding, now is the opportune time for Massachusetts to redouble its efforts, across both the public and private sectors.

Here are a few initiatives that should be priorities:

- **Maintain the Workforce Skills Cabinet** and continue to support regional cross-sector teams in collaborative planning and implementation of their regional blueprints for economic and workforce development.
- **Expand data-sharing agreements across state agencies**, higher education, job training organizations, and employers, while developing accessible high-level data dashboards and open-source analytical tools and resources.

- **Support the further development of scalable apprenticeship programs** across a broad range of industries, based on a public-private pay-for-performance model, with expanded long-term employer commitments and a focus on underrepresented populations.
- **Accelerate efforts by employers, including state government, to reduce reliance on academic credentials** in making hiring and promotion decisions, while expanding the use of skill or competency-based qualifications and selection criteria.
- **Advocate for the expansion of federal need-based Pell grants** to cover student costs for short-term certificate and credential programs in high-demand fields, validated and actively supported by local employers.
- **Establish statewide no- or low-cost pathways for low and middle-income workers focused** on employer-verified certificates and credentials up to associate degrees in high-demand fields, including stipends to support paid co-ops or internships and other non-tuition costs, such as childcare and transportation.
- **Expand Early College, innovation career pathways, STEM-tech career academies, and Chapter 74 vocational-technical program**s, to create more high-school-to-career on-ramps and increase funding for connecting activities to facilitate expanded employer partnerships and paid internship opportunities, especially in STEM fields, with a focus on low-income communities and first-generation students

We applaud the Healey-Driscoll administration's concerted efforts to ensure that Massachusetts gets its fair share of this once-in-a-lifetime commitment of federal dollars to regional economic development. Maximizing the impact of these unprecedented place-based resources will require avoiding the common pitfalls of economic development policy, while effectively coordinating action across state and local government, in close partnership with community and nonprofit leaders, educators, and employers.

If we get it right here in Massachusetts and around the country, millions of Americans will acquire the skills they need to build productive careers in high-demand sectors, driving sustainable and inclusive economic growth that will change lives and strengthen communities.

Jay Ash is a former secretary of housing and economic development. He is president and CEO of the Massachusetts Competitive Partnership, which is a member of the National Talent Collaborative. James Peyser is a former secretary of education. He is an advisor to America Achieves, a national nonprofit that incubates and supports large-scale initiatives to advance economic opportunity, mobility, and pathways to good, local jobs and careers.