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Integrating a Job Quality Practice in Community Development Financial Institutions (CDFIs): A Q&A

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Why this Q&A?

This brief answers critical questions that leaders of community development financial institutions (CDFIs) might have when considering whether to add a job quality focus to their small business efforts. These insights are based on the experience of 11 CDFIs that participated in the Shared Success job quality demonstration. It covers:

- How and why a focus on job quality can increase the impact of their CDFI.
- How job quality connects to a CDFI's existing work and specific ways in which services can be augmented to integrate job quality.
- Resources that can help CDFIs integrate job quality into their work.
- Strategic and management implications of integrating job quality into a CDFI's products and services.

Overview

Job creation is a central reason why CDFIs support small businesses. But some CDFIs recognize that simply increasing the quantity of jobs available is not enough to enhance economic opportunity – the quality of the jobs matters, too. In an economy that is increasingly reliant on too many unstable, low-paying jobs, these CDFIs recognize that integrating a focus on job quality into their work improves their ability to achieve their mission, because it can both strengthen the businesses themselves and provide better jobs for workers.

This Q&A provides insights and lessons from the work of 11 CDFIs that participated in [Shared Success](#), a job quality demonstration led by the Aspen Institute Economic Opportunities Program (EOP). As part of the demonstration, EOP provided grants to the 11 CDFIs to support staffing and other costs related to providing job quality services, as well as to help the CDFIs provide financial incentives related to job quality to their small business clients. This guide focuses on key questions that CDFIs might have about this emerging area of practice to help them and their key stakeholders learn how to integrate a focus on job quality into their own work.

1. [How can a focus on job quality strengthen CDFI impact?](#)
2. [How does job quality work fit within the products, services, and strengths of CDFI small business lenders?](#)
3. [How is job quality-related advising different from CDFIs' existing business advising?](#)

4. [How have CDFIs structured their job quality business advising?](#)
5. [How can CDFIs build the content and knowledge needed to provide job quality-focused business advising?](#)
6. [Should CDFIs focus on certain small business clients in their job quality work?](#)
7. [What are the key strategic and management issues in building a job quality practice?](#)

The Shared Success Demonstration



Good jobs and strong businesses are vital to the well-being of communities across the country. In today's economy, however, millions of workers struggle in poor-quality jobs, while small business owners face challenges finding and retaining the employees they need to thrive. [Shared Success](#), a project of the Aspen Institute [Economic Opportunities Program](#) (EOP), is grounded in the understanding that building better jobs and building stronger businesses go hand in hand. Supported by a \$12 million investment from the Gates Foundation, EOP partnered with 11 community lenders to integrate job quality programming into their small business support services. These lenders – each working in distinct communities across the US – demonstrate that there is no single model, but rather many ways organizations can help small businesses thrive through a job quality approach. Visit as.pn/sharedsuccess to learn more.

1

How can a focus on job quality strengthen CDFI impact?

Integrating practices that improve job quality in small businesses can amplify CDFI impact in two ways. The most obvious way is by helping workers who benefit from improvements such as higher or more predictable pay, additional benefits, or safer and more supportive working conditions. But improving job quality can also strengthen business outcomes. In fact, EOP named the demonstration “Shared Success” to reflect the premise that the most effective improvements to job quality are those that benefit both the workers and the business.

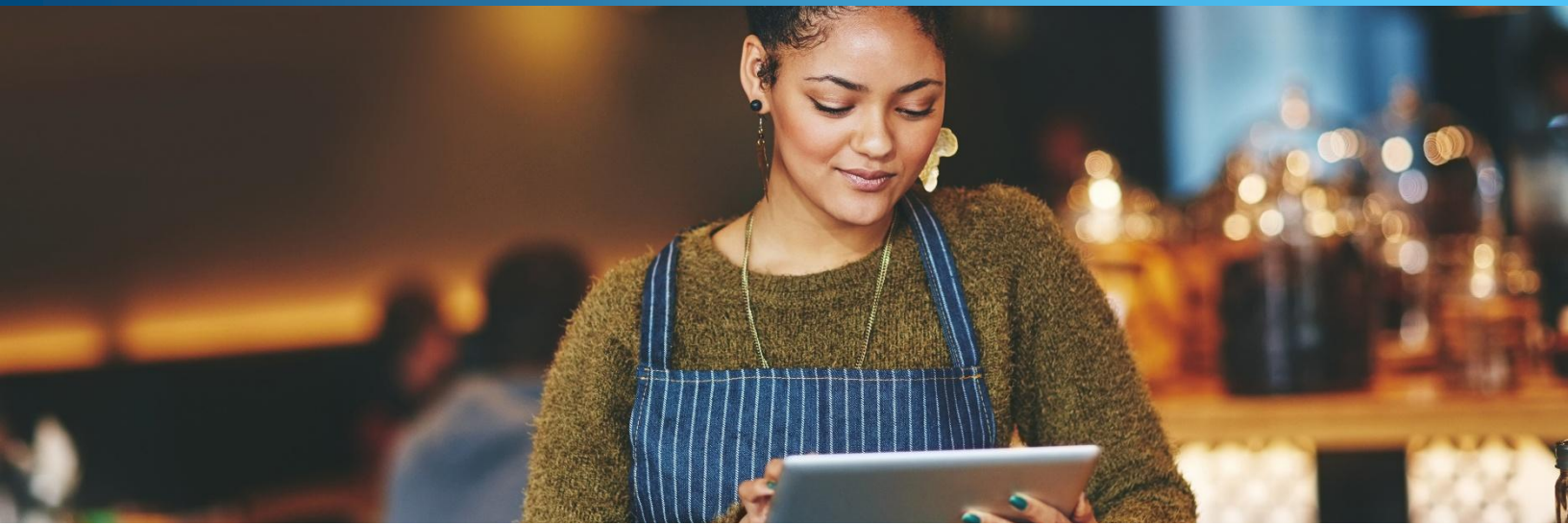
At the onset of the demonstration, EOP sought to build on research, such as that from [The Good Jobs Institute](#), that illustrated that investing in job quality can improve business outcomes and drive business value. For example, having an [engaged workforce can create a competitive advantage](#) by increasing a business’s adaptability and flexibility. Businesses that offer good jobs are more likely to attract and retain employees, thus reducing costs associated with staff recruitment and turnover and enhancing productivity. Conversely, low-quality jobs can lead to higher costs for business owners by creating high employee turnover and low worker productivity. Now three years later, the findings from the Shared Success program evaluation have aligned with that research: It found that 84% of business owners who made a job quality change reported improved business outcomes, including enhanced employee well-being, increased workplace productivity and/or revenues, and improved ability to hire or retain workers.

2

How does job quality work fit within the products, services, and strengths of CDFI small business lenders?

Advising services are the primary mechanism CDFIs can use to engage with business owners to help them identify job- or workplace-related improvements that can support their workers and address some of their critical business needs. Many CDFIs already have strong business advising programs and practices; these can be adapted or expanded in various ways to incorporate a focus on job quality. In doing so, CDFIs may consider whether to build internal advising capacity or to partner with other organizations or resources that can provide specialized advising services.

For example, during the Shared Success demonstration, Northern Initiatives trained its team of business advisors to incorporate a focus on job quality into their existing services. Conversely, BBIF Capital, Inc. hired a human resources consultant to help its team of business advisors provide job quality support to its small business clients. See “How have CDFIs structured their job quality business advising?” to learn more about the many ways CDFIs can approach this topic.



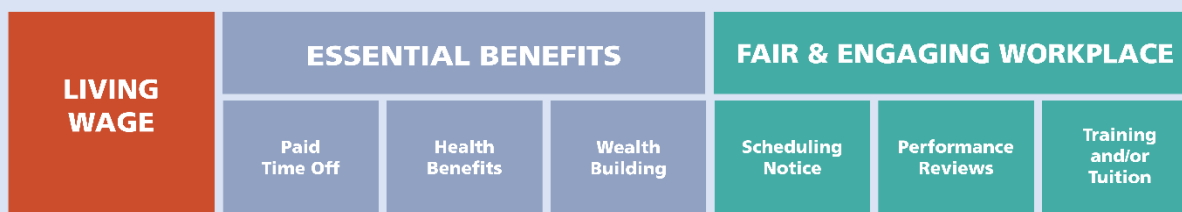
Importantly, small business job quality advising builds on CDFIs' existing strengths, including the trusted relationships they build with their clients. Successful job quality work is often grounded in a deep understanding of the unique populations a CDFI serves as well as knowledge of individual small business owners' goals, pain points, needs, and capacity for change.

In addition to advising services, CDFIs can use their investing activities to help incentivize, enable, and support job quality work. Shared Success grantees had three different approaches to this:

- Some grantees marketed and/or conducted outreach for their job quality advising support by reaching out to current or past loan clients. In this sense, they leveraged relationships built through the lending process to engage business owners in discussions and work regarding job quality.
- Some grantees incorporated an assessment of a business's job quality as part of their lending or investment process. Assessment results were used in a variety of ways. Some CDFIs used them to determine the interest rate on their loans (with businesses that received higher scores receiving lower interest rates). They also used them to identify areas where support for job quality improvements would be provided. CDFIs also established job quality metrics in their investment agreements that are monitored as part of their portfolio management process.
- Some grantees provided loan-related incentives for their borrowers to make job quality improvements. These took the form of reductions in the interest rate on their loans or covering one or more loan payments if the business made improvements.

One of the grantees with the most comprehensive approaches to integrating job quality into its lending is Coastal Enterprises, Inc. See sidebar "Connecting CDFI lending and small business job quality: Coastal Enterprises, Inc." for a brief case study of its work.

Connecting CDFI Lending and Small Business Job Quality: Coastal Enterprises, Inc.



CEI's commitment to incorporate a focus on job quality into all of its work with small businesses has unfolded over time. As a multifaceted CDFI with a range of lending and investment vehicles, CEI developed a Good Jobs Framework and a consistent approach that guides their work across all programs and subsidiaries. Each investment area and subsidiary identified the best way to integrate job quality into its goals and operational processes. In the case of its venture portfolio and New Markets Tax Credit programs, this means that the screening that is part of the diligence process includes an assessment of the quality of a firm's existing jobs and of any job quality improvements that the businesses will make in the future. Sometimes businesses incorporate costs associated with making job quality improvements into the financing amount and use of proceeds (for example, making health or safety improvements), and the CEI Workforce Solutions team (a dedicated group of staff who support CEI clients on issues related to job quality) will create a plan for how it will work with the business to support and track its job quality efforts and improvements.

For its more traditional micro and small business loan products, CEI does not make lending decisions based on job quality but uses its assessment of a firm's job quality in two ways: as one of the factors that influences pricing on a loan and to open conversations with the business on potential improvements to job quality (and how CEI might support its efforts to make those improvements). CEI uses its Good Jobs Scorecard to assess job quality at applicant firms, and businesses with higher job quality will benefit by a lower interest rate. Although CEI does not share the specific pricing model it uses with loan applicants, loan officers share CEI's mission (and focus on job quality) with applicants.

Completion of the Good Jobs Scorecard requires that a CEI Workforce Solutions team member meet with the business owner to collect information on job quality in existing positions and projections for future hiring. In the case of CEI's "Wicked Fast" microloan product, for which a decision is provided within three business days, the Workforce Solutions team members commit to meeting with the prospective borrower and turning around the content within 48 hours of receipt of the loan application.

During the investment period, the CEI Workforce Solutions team provides advice and acts as a sounding board for day-to-day employee-related challenges and big ideas, such as adding health care coverage or goal setting. CEI staff make recommendations that are mutually beneficial – good for their business client and their workers. All decisions rest with the business, and CEI offers guidance and support during implementation.



3

How is job quality-related advising different from CDFIs' existing business advising?

Typically, CDFI business advising focuses on finances, sales and marketing, and/or business planning. In-depth knowledge of operations (which often varies by industry) and human resources is found less often among CDFI business advising teams. Advising on job quality may require business advisors to broaden the conversations they have with business owners to include topics related to:

- Human resources
- Employee management and engagement
- Business operations and strategy as connected to job quality

Making business changes that address job quality often involve improvements to human resource practices and policies (such as role descriptions, compensation, compliance with workplace and employment regulations, employee engagement and development) and employee management practices (such as leadership development and communication skills). Improving job quality may also involve changes to business operations and business strategy (such as job design and how work is organized or performed).


For these types of conversations, advisors may also have to consider and elevate worker perspectives. Success of job quality advising often depends on understanding which improvements employees are likely to value.

4

How have CDFIs structured their job quality business advising?

Job quality business advising may be structured based on what may work best within the existing practices of CDFIs. Within the Shared Success demonstration, different CDFIs took various approaches ranging from ad hoc, one-on-one advising to industry-specific cohorts with a standardized curriculum. Table 1 illustrates the spectrum of ways in which CDFIs in the demonstration structured their job quality support.

Table 1: The Spectrum of CDFI Approaches to Job Quality Support



Cohort		One-on-One
Clients are brought together for classes or peer learning opportunities, often with a unifying factor (industry, growth orientation, business challenge).	vs.	Clients are individually served through one on one advising.
Standardized curriculum		Client Led
The CDFI established a course or curriculum on job quality that shared practices, tools, and resources with all clients, often via ongoing support.	vs.	Specific content shared depends on client-specific goals and challenges linked or related to job quality. Can be one-off or ongoing.
Industry specific		General
The CDFI focused on support tailored to specific industry conditions (such as agriculture, construction, or child care). Some CDFIs chose to pick one industry of focus to launch their job quality advising.	vs.	Job quality support provided to all clients with little-to-no focus on industry.
Embedded in existing advising		Created new practices
Job quality practices incorporated into existing CDFI services, classes, or staff positions.	vs.	New practices are established via adding new services, classes, or staff positions.



Several of the CDFIs in the demonstration have used a one-on-one advising model for working with businesses on job quality. In this model, advisors meet with clients individually and often start with a job quality assessment tool that helps them identify potential areas for focus or improvement.

Other CDFIs have created and provided specialized training or educational content to cohorts of small business owners. In some cases, this content has been incorporated into existing cohorts that the CDFI has established to provide ongoing support to its business clients. In other instances, CDFIs created a new curriculum or cohort, focused specifically on job quality. The evaluation of the Shared Success demonstration found that many business owners in cohorts valued the ability to learn and connect with peers.

Some CDFIs have developed job quality content or cohorts that are industry specific (e.g., focused on day care or farming or construction). An industry-specific focus can be helpful because some job quality issues vary or are more prevalent in certain industries (for example, workplace safety is a significant job quality issue in the construction industry, whereas ensuring sufficient staffing to meet child-to-staff ratios is a major concern in the child care industry).

The demonstration's evaluation findings showed that small businesses received a variety of types of support and often received more than one type. Courses or training sessions (63%) and one-on-one advising (47%) were the two most common types of job quality support. The amount of support received also varied: Although nearly half received over 10 hours of job quality support, another 40% reported between one and six hours of job quality-related assistance.

The grantees also designed incentives to support their small business clients in engaging in job quality programming and implementing job quality improvements; these approaches are summarized in the following box.

Experiences with Incentives for Job Quality Improvements

The Shared Success project also provided funding that helped grantees offer financial incentives to small businesses to either make improvements in job quality or participate in job quality-related programming. Examples include providing a stipend for attending a workshop or training on job quality, awarding a cash grant or reduced-rate financing for implementing an improvement in specific job quality elements, or offering financial support to reduce the cost of testing a job quality element.

Although many CDFIs at first struggled with figuring out how to best incorporate or use incentives as part of their job quality work, most reported that these incentives were highly valuable. Offering incentives allowed for a deeper relationship between CDFIs and their small business owners, thus allowing business coaches to work even more closely with incentive recipients to gather information and help them see value in the changes they made. Incentives also offered small businesses the opportunity to learn about and test job quality changes that they may have otherwise not known about or have been discouraged from making because of financial constraints. The program evaluation findings suggest that incentives help business owners prioritize job quality improvements given many competing priorities. Of those that reported receiving incentives, 82% noted that incentives were moderately or very important in helping them make job quality improvements.

With these incentive programs certain questions remain, including how to:

- Ensure the sustainability of job quality changes without the financial assistance of incentives
- Assess the impact of improvements to the business, especially over longer periods
- Incorporate employee perspectives on the value and impact of potential job quality changes

5

How can CDFIs build the content and knowledge needed to provide job quality-focused business advising?

Building both internal capacity and leveraging external expertise may be helpful to build the content and knowledge needed to provide job quality-focused business advising.

Some CDFIs in the demonstration created new teams or added staff with skills and knowledge related to job quality. For example, CEI created a workforce services team that has built knowledge and partnerships in areas related to compliance, workforce training, health care plan options, retirement saving plan options, and scheduling notice. Although CEI's capacity has been built over the course of a decade, others, such as Northern Initiatives and BBIF Capital, Inc., hired or consulted with human resources experts.

In other instances, CDFIs leveraged external partners to provide job quality expertise. For example, California FarmLink partnered with industry experts on developing their curriculum and their survey. CEI partners with workforce organizations and other state agencies on resources related to labor/workplace laws. ICA Fund uses volunteer mentors that have deep operational and/or industry knowledge and expertise.

In its role as the lead partner in the demonstration, EOP provided [a definition of job quality](#) to the grantees and offered training, resources, and peer learning opportunities to build their capacity to offer job quality-focused business advising. EOP also partnered with grantees to create and review resources that they and other small business-serving organizations can use as they work with businesses on job quality. Table 2 provides information on and links to many of the resources created as part of the demonstration.

In addition to the resources provided by EOP, CDFIs generated or accessed resources and content focused on job quality to support their clients. These resources took many forms, including tools, slide decks, calculators, templates, videos, and podcasts. For example, Colorado Enterprise Fund developed a quality jobs assessment, and Micro Enterprise Services of Oregon created a variety of tools and guides to aid in hiring and onboarding. CEI updated its [cost of turnover tool](#). Institute Capital created a human resources-specific manual for their small business clients, and similarly, African Development Center built a labor law and compliance guide.

Table 2: Job Quality Resources Created Through Shared Success

Title	Description
<u>Job Quality Narrative Playbook and Job Quality Narrative Research Community Engagement Memo</u>	Two tools to support CDFIs and other small business serving organizations to message to and begin conversations on the topic of job quality. These tools offer practical insights on how business owners think about and engage with job quality.
<u>Building Shared Success: A Guide to Small Business Job Quality Advising for CDFIs</u>	A guide for small business advisors to incorporate job quality into their ongoing conversations with small business clients This tool was created with grantees to elevate their expertise and lessons learned and to provide specific guidance to small business advisors.
<u>Navigating the Compliance Landscape to Advance Good Jobs: Resources for Small Businesses</u>	A snapshot overview of regional and national resources where small business-supporting organizations can seek guidance and further partnership to help their clients effectively address compliance-related issues.
<u>Bridging Small Business Support and Labor Compliance Toolkit</u>	Created by the Workplace Justice Lab@Rutgers University, this toolkit provides practical insights that CDFIs can use to expand their impact and support small business job quality and growth through labor law compliance.
<u>Initiate Job Quality Resources for Small Businesses</u>	A set of eight resources intended to support small business owners to learn what a good job actually is, why it is important, and where they can get started. Developed by Northern Initiatives in partnership with EOP.



6

Should CDFIs focus on certain small business clients in their job quality work?

Consider focusing on certain small business clients for job quality advising. This focus can be on a subset of the client base, aligning it with the organization's strategy or strengths, and/or on those businesses that may be most receptive to this work based on their business stage.

Many CDFIs chose to first focus their job quality services on a subset of their clients, rather than try to integrate job quality across all advising services. Their targeting choices included focusing on a specific industry (such as Micro Enterprise Services of Oregon with child care or BBIF Capital, Inc. with construction and child care) or a particular client profile (such as Colorado Enterprise Fund with its clients identified as “builders” or Justine Petersen with clients with loans of \$50,000 and higher).

CDFIs may also find it useful to identify the business stage and growth orientation as they choose which clients to target. Businesses focused on stabilization – achieving a more stable level of operations and having stronger revenues or profitability – often face and want to center on job quality issues related to employee retention and engagement and workplace safety and culture. They often are more resource and revenue constrained, so lower-cost improvements are more accessible and feasible. On the other hand, firms focused on growth (especially later-stage firms) seem to be more intent on how to build and hire high-performing teams. The latter's job quality focus relates more to job design and employee compensation, development, and promotion.

Caution: A potential downside of a targeted approach with only a subset of clients is that the job quality practice becomes siloed within one segment or team, rather than being fully integrated into a CDFI's approach and activities. This issue can limit the impact and long-term sustainability of this type of work.



7

What are the key strategic and management issues in building a job quality practice?

CDFIs that want to integrate job quality into existing business advising programs need to focus on building the knowledge base of its advising team and equipping them with tools and management incentives to be able to advise or refer in new topic areas.

An organization's senior leadership plays a crucial role in supporting the implementation of job quality practices. Senior leaders are key in articulating and emphasizing how a focus on job quality aligns with the organization's mission and goals. This messaging is important internally but also with external audiences; senior leaders can play a pivotal role in building funding and other partnerships that can sustain and strengthen a job quality practice. Senior leaders also play a central role in identifying priorities, setting management and performance goals, and allocating resources that are essential to driving organizational practices in any area, including job quality. Importantly, senior leaders also can affect internal job quality at a CDFI. Many CDFIs in the demonstration found that it was important to address their own job quality practices to more effectively advise their clients.

Senior leaders need to make sure that the organization's lending goals and processes and its job quality work are in alignment. In the demonstration, CDFIs with a key strategic focus on substantially growing their loan portfolios faced challenges in simultaneously integrating job quality. This seems to be because of two factors: (1) an unwillingness to slow the lending process to incorporate an assessment related to job quality and (2) instances where business advisors were tasked and evaluated largely on their contributions to lending originations rather than to other output or outcome metrics.



Acknowledgments

We would like to thank all of the Shared Success grantees for their commitment to and engagement with small business job quality work over the course of the demonstration. It is through learning from them and their work that we can share the insights in this article. Further, their specific review and feedback greatly helped shape the article during its development.

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About

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About Shared Success

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