

1996

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Citation

Erickcek, George A. 1996. "Developing Community Economic Outcome Measures." *Employment Research* 3(2): 5–6.
[https://doi.org/10.17848/1075-8445.3\(2\)-2](https://doi.org/10.17848/1075-8445.3(2)-2)

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Developing Community Economic Outcome Measures

A fundamental role for community leaders is the articulation of a vision for their community. This vision should address the community's shortfalls, build upon its strengths, and provide guidance for the community's future allocation of resources. Given the current trend of transferring greater responsibility from the federal government to the local level, this visioning function of community leaders will grow in importance.

Citizens are increasingly demanding that government and community organizations show accountability in achieving results. Hence, leaders in some communities are exploring ways to monitor their success in reaching the goals outlined in their vision statement. One way to do so is to develop specific outcome measures for these goals.

Community outcome measures may stimulate a broad-based discussion in a community about what truly are the community's highest priorities. Community outcome measures may also help focus the attention of government agencies and community organizations on how to achieve the community's most important goals. Finally, community outcome measures may be used to identify areas in which the community is not performing well, and in which reforms or additional efforts are needed.

Outcome measures by themselves, however, should not be used in some simplistic fashion to evaluate the overall performance of a specific government agency or community organization. Outcome measures tell us how the community is doing in achieving important goals, such as changes in its unemployment rate, high school graduation rate, or the number of teenage pregnancies, but by themselves outcome measures do not identify the causes of these changes. For example, the local unemployment rate could be pushed downward because the community is fortunate in having many of its firms in fast growing industries; or it may be because several of its firms developed highly successful market strategies; or it may be because of its economic development effort. For a proper evaluation of the effectiveness of the area's economic development efforts, it is necessary to isolate the impacts of those efforts from the other possible factors. This is a task community outcome measures by themselves cannot achieve. To do so requires additional research and analysis.

Three major questions face community leaders when they consider establishing community outcome measures.

1. What community attributes or trends will be monitored?
2. How should the community's performance be measured?
3. What data should be used?

Community outcome measures should be comprised only of those local indicators that monitor the area's progress toward community-defined goals or vision. Care should be taken not

to include data or indicators only because they are readily available. In addition, measures should not be simple tallies of the current activities of government or community agencies, such as the number of meetings convened, the number of business retention calls made, or the amount of information distributed. Such tallies do not reflect whether these activities actually help affect important community outcomes. Moreover, focusing on such tallies tends to encourage the community to continue current strategies rather than consider different strategies.

One illustration of how a community might develop outcome measures is the “community economic benchmarking system” recently developed for Benton Harbor (Michigan) by the Upjohn Institute. Economic development interests in the greater Benton Harbor area requested the Institute to construct outcome measures for the area’s economy. To guide the development of the monitoring system, Institute staff, as a first step, facilitated several focus group sessions comprised of area business and economic development leaders to identify the specific objectives of the outcome measures system. Area business leaders concluded that the purpose of the outcome measures was to monitor the “key economic and social attributes that businesses examine when they make their location decisions.” Moreover, they agreed that the key attributes to be monitored were the availability of a qualified workforce, infrastructure capacity to support growth, a growing and diversified economy and the area’s quality of life. A similar process could be used by communities to identify outcome measures in areas other than economic development, although obviously the composition of the focus groups would be different.

After the community identifies the characteristics to be monitored, its leaders must choose how to measure their area’s performance. One strategy is to establish specific targets, such as to reduce the area’s high school dropout rate below 5 percent by the year 2010. Several potential problems plague this approach. First, it can lead to frustrations if the goals are set too high or when factors outside the control of the community’s efforts have too much influence. A weak national economy can thwart the performance of an effective economic effort, for example. On the other hand, community goals that are set too low, can lead to complacency.

A second option is to measure local outcomes relative to a comparable group of similar areas. A comparison analysis has the advantage of controlling for national and certain structural factors, as they should be felt by all of the communities in the comparison group. Of course, the difficulty facing leaders taking this approach is developing a good selection criterion to use in picking the comparison communities. In the Benton Harbor area study, we used the following set of criteria to identify 15 comparable areas. Relative to Benton Harbor, the comparison areas must:

1. be of similar size
2. have a comparable industrial base as measured by the percentage of its workforce in manufacturing
3. be as economically competitive, as measured by the performance of its firms relative to national industry averages
4. have no major four-year universities
5. have a similar racial composition.

These particular criteria for comparison communities were chosen because they were

thought to be major factors affecting a community's economic development. If a community was developing outcome measures in areas other than economic development—such as public health, children's well-being, or poverty—then comparison communities should be chosen based on community characteristics that were thought to be important determinants of community outcomes in these areas.

The final and perhaps most arduous task in developing community outcome measures is, of course, data collection. Local data are highly limited and sometimes of questionable quality. If a comparison analysis is used, data availability is even more restricted because comparable data must be found for the comparison areas as well. Moreover, if the outcome measures are to be updated annually and reflect current conditions, researchers are limited to only those data published annually and having a minimum time-lag. For some data series, such as income and crime statistics, a two-year lag is common. More troubling, these restrictions eliminate using the wealth of data available in the decennial censuses. The annual updating requirements also can limit primary data collection because of the expense involved in conducting annual surveys.

Finally, a community outcome measures report is a living document, meaning that it must be regularly fed and nurtured. Not only are annual updates required, the community must review the effectiveness and correctness of the data indicators used. The Upjohn Institute's outcome measures system for the Benton Harbor area was completed in June 1996, and already area community leaders have suggested several additions and revisions to the data series.

Former Mayor Koch of New York City was fond of asking, "How am I doing?" It is an important question that requires serious thought in answering. Community goals must be set, outcome measures established, and data collected. Each step is close to worthless without the others. Goals without measures become little more than dreams, and data collection without direction offers little insight. But a good outcome measurement system, if used systematically over time, can significantly help a community to focus on and achieve its key goals.

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