



# ***Community Economics***

*A Newsletter from the Center for Community Economic Development; Department of Agricultural and Applied Economics; Community, Natural Resource and Economic Development Programs, and University of Wisconsin-Extension, Cooperative Extension Service*

No. 329

Community Economics Newsletter

March 2004

## **CIVIC INVOLVEMENT, ORGANIZATIONAL TIES, AND LOCAL ECONOMIC DEVELOPMENT**

by

Gary Paul Green

University of Wisconsin-Madison/Extension

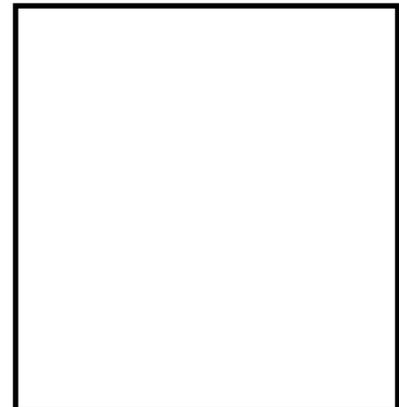
**“Forming ties with external organizations and institutions may improve access to information and key resources...”**

There is a growing interest among practitioners and researchers in the role of organization

al networks and civic participation, what some have referred to as social capital, in job creation. Much of this interest has been inspired by Robert Putnam’s work, which suggested that civic organizations were critical to the economic success of northern Italy. Some research in the U.S. has focused on the correlates between the use of public hearings, citizen committees, and elected neighborhood commissions and growth efforts. Another approach has been to examine the role of inter- and intra-community networks and linkages in stimulating local economic development. Forming ties with external organizations and institutions may improve access to information and key resources, such as grants, loans, etc. Establishing networks among local organizations and government officials may help mobilize the community and improve the response to opportunities. This research examines the relative role of these two different dimensions of social capital in non-metropolitan areas of the United States.

To better understand the role of civic participation and social networks in local economic development, I conducted a survey of all non-metropolitan municipalities in the U.S. that had more than 2,500 people. The smallest municipalities were unlikely to be engaged in many economic development activities. A total of 2,051 surveys were returned, representing a 39% response rate. I collected detailed information on the number of jobs (and the wages for these jobs) that were created through expansion/retention and firm recruitment activities, as well as the specific incentives they offered and the budget for economic development activities. To examine the networks involved in economic development, I asked about the level of interaction with various organizations and officials. To assess the level of civic involvement, I asked respondents to report the number of public meeting they have held on economic development issues in the past year and the average attendance at these meetings.

Local governments were relatively successful in their economic development efforts. Fifty-



nine percent of the local governments report they have successfully recruited a local business in the past three years, accounting for about 200 jobs with an average wage of \$8.25 per hour. About the same number (56%) were successful in helping businesses expand, accounting for about 100 jobs, with an average wage of \$8.26 per hour. Business retention activities were generally less successful. About one-fourth of the municipalities successfully retained a business in the past three years.

Local governments held about six public meetings on economic development issues during the past year, with an average attendance of

19 people per meeting. Officials report they are most likely to have some contact with state and government agencies, as well as utility companies, with regard to economic development matters. They have the most interaction with utilities.

Economic development effort, measured by the number of incentives and the budget, is strongly related to jobs created through recruitment and business retention/expansion activities. Among the civic and network variables, the number of organizational contacts has the strongest effect on the number of jobs created through recruitment, retention and expansion activities. Looking at the various organizations considered, the level of interaction with utility companies is most strongly correlated with job growth. Previous work suggests that utility companies are frequently at the center of economic development networks and may play a key role by steering mobile firms to specific communities where they have especially strong contacts. These contacts may also have a payoff for retention and expansion activities as well. Overall,

**“To be more specific, ties with external organizations, especially utility companies and state agencies, appear to be the most beneficial for small towns.”**

organizational contacts had as strong an effect on job growth as did the number of activities or the budget to promote economic development.

I next considered the role of civic involvement in local economic development. Overall, I found no evidence that either the number of public meetings or the average attendance at public meetings was related to job growth.

Participation may shape the type or level of incentives offered to businesses, however. Local residents are generally less supportive of direct subsidies to business and more concerned with the quality of jobs than are politicians. Thus, public discussion of economic

development may shape the strategies but not necessarily the outcomes of economic development activities. It also should be recognized that civic involvement may play a critical role in developing the capacity of communities to address other issues, such as affordable housing or health care, which ultimately may affect economic development in a region. This issue would require a much more intensive data collection process of community capacity and other community development efforts.

Overall, this research provides partial support for Robert Putnam's claim that social capital is related to local economic development. The connection, however, is primarily through social networks and not through civic participation. To be more specific, ties with external organizations, especially utility companies and state agencies, appear to be the most beneficial for small towns. The resources and information available through these networks help place them at a competitive advantage. Additional research is needed to understand why some communities are more engaged in these networks.

Steven C. Deller

*Issued in furtherance of Cooperative Extension work, Acts of May 8, and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Arlen Leholm, Cooperative Extension, University of Wisconsin-Extension.*

*University of Wisconsin-Extension, U.S. Department of Agriculture and Wisconsin counties cooperating. UW-Extension provides equal opportunities in employment and programming, including Title IX and ADA.*

## Community Development Economist

*Issued in furtherance of Cooperative Extension work, Acts of May 8, and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Arlen Leholm, Cooperative Extension, University of Wisconsin-Extension.*

*University of Wisconsin-Extension, U.S. Department of Agriculture and Wisconsin counties cooperating. UW-Extension provides equal opportunities in employment and programming, including Title IX and ADA.*