

Richmond Fed

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Bringing Talent to Small Towns

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Highlights:

- As I talk to employers considering expansions and as I talk to community leaders trying to recruit firms, there's an increasing focus on talent.
- Small towns are going to have to up their games on the attraction, development and retention of talent.
- Small towns in our district are recruiting talent like they cultivate employers: they are telling their stories, making moving easy, creating incentives and strengthening their homegrown workforce pipelines.

Thanks for joining us today. At the Richmond Fed, we're committed to understanding the unique challenges faced by small towns and rural communities across our district. We are constantly on the ground with local stakeholders in these communities, learning about their challenges and promising solutions. Once a year, we invite these leaders, along with other rural development experts, to share their perspectives on a bigger stage. I hope you come away from this event as energized and recommitted as we do each year.

Over the last few decades, we've seen small towns struggle, particularly those that lost manufacturers who had historically helped build communities, employ residents and forge local identities. As a natural reaction, economic development in small town America has often focused on replacing those big employers in order to rebuild the tax base and reemploy those displaced. These efforts attracted heavy investment in time and money, but success wasn't easy.

In the last few years, the focus of recruiting efforts has shifted. We saw it nationally with Amazon's HQ2 decision a few years ago. When northern Virginia won this very competitive contest, the determining factor didn't seem to be the direct economic incentives but instead the state's workforce and commitment to develop an even stronger employee pipeline.

The same criteria are coming to smaller towns. As I talk to employers considering expansions and as I talk to community leaders trying to recruit firms, there's an increasing focus on talent. You hear it most clearly in reshoring conversations; businesses question how they could relocate when they don't have confidence they will find the necessary workers.

The importance of a robust, reliable labor supply isn't news to small towns. We all know their challenges in workforce recruitment and development. But, especially now that the pandemic has tightened the labor market further, smaller communities are going to have to figure out how to put their best foot forward. To win, small towns are going to have to up their games on the attraction, development and retention of talent. What does that entail?

One way that I like to frame this challenge is by comparing it to cultivation of employers. Small towns will need to recruit talent the way they recruit companies, which means pursuing four strategies.

First, just as prospective employers need to hear a compelling pitch, so do prospective employees.

Small towns need to tell their stories. The last few years opened a door. Workers seem to increasingly value what small towns offer — space, affordability, the outdoors. And of course, remote work frees workers to live anywhere. But open doors don't guarantee new workers will walk in. Each town is now competing with every other small town. That's where the story comes in.

These stories almost always start with a sense of place, and there are a lot of options. In Lake City, South Carolina, for example, a nine-day art festival and competition has expanded the creative economy and brought crowds to town. With displays in a wide array of local venues, the town isn't just showcasing art, it's showcasing what Lake City has to offer.

Other towns create a sense of place by rehabilitating their downtowns and bringing in shopping and restaurants. Danville, here in Virginia, comes to mind. It has developed its riverfront, building apartments with nearby dining establishments and creating a lively, downtown feel.

Towns can leverage nearby amenities. As Fayetteville, West Virginia, transitioned away from coal, it turned to outdoor recreation, which in turn attracted entrepreneurial types who in turn created an entrepreneurial culture that persisted.

If a town can't tell a story on its own, we are seeing regions work together to bundle one. Southwest Virginia has The Crooked Road heritage music trail, the historic Barter Theatre in Abingdon, the Spearhead Trails for adventure, and wineries, breweries and shopping for after the adventure. In southern West Virginia, we've seen similar efforts built around the Hatfield-McCoy Trails.

It's not always about starting something new to create a sense of place but about successfully selling what you already are. We'll hear this afternoon from Colleen Roberts who will share on the "If you build it, will they come?" panel about how New Bern, North Carolina, survived a hurricane and found a compelling way to communicate its story.

These stories bring in new talent. But they also help keep kids from moving away. I grew up in Tampa. In Tampa, the draw was clear. It's warm. We have beaches. We constantly asked ourselves: Why would anyone leave? And really only I did.

Second, just as recruiters make a move easy for businesses, small towns need to make moving easy for workers.

In today's world, the ultimate barrier to moving is housing. Every town seeing success is experiencing this challenge. Simply put, the math isn't working to put new residents into affordable homes. We don't have

enough supply. And building is getting ever more expensive with construction, interest and labor costs up.

Small towns face their own issues. Their housing stock is often less contemporary. Rough terrain and absentee landlords often inhibit construction. Developers often have better options elsewhere.

But I ask myself: Why can't we change the math? If we can find the funding to create buildable sites for businesses, why can't we develop buildable homesites for developers? If cities can transform office space into apartments, why can't small towns repurpose their old commercial or municipal spaces into residences?

Carroll County, Virginia, did just that. Working with Virginia Housing Development Authority and developer Landmark Asset Services, it transformed a historic high school into 51 affordable housing units. The county donated the school. Virginia Housing helped identify Landmark as a willing developer and offered permanent financing at a below-market rate. Landmark brought its expertise in adaptive reuse and affordable housing development. Together, they made the math work.

This afternoon, we will hear from DeWitt House of the Harvest Foundation who will be sharing how public-private partnerships can make the math work. They are standing up a new neighborhood with affordable housing units in Martinsville, Virginia.

Making moving easy (for both workers and their spouses) also means ensuring access to high-speed, reliable broadband. We've talked about this for years, but the last three years really brought it home. Progress is coming, as the funds provided in the Infrastructure Investment and Jobs Act fully roll out. But the mere existence of funding is not enough — it needs to reach the communities in need. At one of this morning's panels, you can hear from Heidi Binko of the Just Transition Fund which is focusing on ensuring available public funding makes it to such communities.

Third, just as recruiters pay incentives to companies, small towns need to think through how to incent talent to move and to work.

West Virginia is actually testing out a pretty direct incentive. Through their Ascend West Virginia program, they are paying a select set of individuals to move to the state. The incentives include \$12,000 over the first two years, access to free coworking space, and free outdoor recreation and gear rental for a year. We're glad to have one of the key architects of the program, Danny Twilley, here with us today.

But there are other ways to motivate people to join their local workforce.

Let's start with child care because finding and paying for high quality child care can become so costly it makes more sense for a parent to stay home. United Way of Southwest Virginia has leveraged state and federal funding to expand access to affordable child care by creating a new facility, giving technical assistance to existing ones and building up the sector's workforce — with the intent that local employers will support these facilities over time. In West Virginia, the Chamber of Commerce worked to get legislation passed last year to provide a tax credit to businesses that create a childhood facility on their premises.

Transportation is also a motivator to connect people to places of employment. It has attracted some controversy, but beach communities have transported workers into their markets for years. The city of Wilson, North Carolina, is trying a more tailored approach; it has partnered with Via Transportation to replace its traditional bus system with an on-demand microtransit service. This allows riders to get curb-to-curb rides for a low price, saving time and expanding access to those who did not previously live near a bus route. Approximately half the rides are to or from work.

Communities are also tackling more personal barriers to entry, like health or criminal records. We will hear more in this morning's panel on drawing talent off the sidelines.

And finally, just as towns must grow their own local entrepreneurs, they also need to grow their own workers.

Education and connecting locals to jobs is an evergreen challenge. But we are seeing a lot of innovation in this arena.

GO TEC (which stands for Great Opportunities in Technology and Engineering Careers) is helping build a pipeline of talent for Virginia's strategic sectors. Hoping to spark early interest, the program exposes middle schoolers to various career pathways, such as robotics and health care, as well as industry jargon and relevant equipment. Once in high school, students have access to industry certification programs, and may then pursue postsecondary degrees. Telly Tucker, president of the Institute for Advanced Learning and Research, is a key partner in the effort and is on one of our panels this afternoon.

The STEM East Network in North Carolina is training the key influencers in youth's lives — educators — to understand the workforce needs of the region. The hope is they in turn will help students visualize what participating in the local labor market could be like.

The Surry-Yadkin Works partnership, in North Carolina, allows high school students to intern at local companies and access resources at their local community college. Students earn a real wage, a transportation subsidy, work experience, and the opportunity to get college credit and industry-recognized credentials. Nearly 70 percent of participants continued to work on their internships after finishing the experience.

To close, it's trendy to say that post-COVID-19 we are in a "new normal." But I really do think, when it comes to small town economic development, the ground has shifted. The focus that employers are placing on talent is palpable, and those who can supply that talent will be the winners. The good news is that remote work puts a lot more small towns in the competitive set, and that small towns offer a sense of place and community that many of today's workers want, so long as they can provide the housing, broadband and amenities that these workers need.

I walked through some promising examples today of how communities are innovating, but there are many more to share, and I look forward to learning from all our panelists. Now I want to turn it over to U.S. Sen. Mark Warner. You all know him well, but I want to thank him for setting me and the Richmond Fed on this journey supporting small towns. In my first meeting with him, he urged me to dig into the differences in economic outcomes between urban and rural markets, and between similarly situated smaller towns. He inspired all we are doing, and I look forward to learning more from him now. Thanks, and enjoy the rest of the day.