

## Bringing Talent to Small Towns

Over the last few decades, we've seen small towns struggle, particularly those that lost manufacturers, which 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. These efforts attracted investment, but success wasn't easy.

In the last several years, the focus of economic development 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. I 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 reliable labor supply isn't news to small towns. 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 attracting, developing, and retaining talent.

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 — and their spouses. 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, S.C., 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 also leverage nearby amenities. As Fayetteville, W.Va., transitioned away from coal, it turned to outdoor recreation, which in turn

attracted entrepreneurial types who then 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. In southern West Virginia, we've seen similar efforts built around the Hatfield-McCoy Trails.

These stories bring in new talent. They also help encourage kids to stay.

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 rising.

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

But can 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 tackle the barriers to repurposing their old commercial or municipal spaces into residences?

Carroll County, Va., did just that. Working with the 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.

Making moving easy 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.

Third, just as recruiters pay incentives to companies, small towns need to think through how to encourage 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. (See "Paid to Relocate," *Econ Focus*, Third Quarter 2022.)

And there are ways to motivate people to join their local workforce.

Let's start with child care. Finding and paying for high-quality child care can become so costly that it makes more sense for a parent to stay home. The 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 child care 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, N.C., is trying a more tailored approach; it has partnered with Via Transportation to replace its traditional bus system with an on-demand microtransit service. (See "Public Transit Rides Out the Pandemic Storm," *Econ Focus*, First Quarter 2023.) 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.

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 post-secondary degrees.

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, also 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.

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, that the ground has shifted. The focus that employers are placing on talent is palpable, and the places that can supply that talent will be the winners. The good news is that small towns offer a sense of place and community that many of today's workers want.



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*A longer version of this essay was delivered as an address to the Richmond Fed's Investing in Rural America Conference on April 12, 2023.*