

Aligning US Economic Development and Workforce Development Policies and Practices to Center Low-Wage Workers

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This summary of recent WorkRise research and a new community of practice led by WorkRise and the New Growth Innovation Network lays out what research tells us, what practitioners and leaders experience on the ground, and where we need to go.

Low-wage workers are a central part of the US economy. These workers, many of whom are people of color, perform all kinds of essential work in health care, food service, construction, and transportation, to name just a few occupations. Yet people earning low wages have greater career instability, fewer employer-provided benefits, and, often, fewer opportunities for career advancement.

Low-wage workers have few publicly funded systems they can turn to for upward mobility, primarily higher education and workforce training providers. Local workforce development systems are designed to better align opportunities and skills between US businesses and their workers, primarily by providing job training. Meanwhile, local economic development systems are designed to improve the economic vitality of places—cities, counties, states, or regions—primarily by supporting US business formation and growth. And while local workforce development programs are often a primary way low-income workers gain the skills to access jobs with higher pay and more career advancement, neither the workforce development system nor the economic development system explicitly addresses all the elements low-wage workers need to improve their economic stability and mobility.

The good news is these two systems clearly could work together to center low-wage workers in their policies and practices. WorkRise and Advancing Worker Equity (AWE), an initiative of [New Growth Innovation Network \(NGIN\)](#), set up a collaborative space for local and regional workforce and economic development leaders to learn together, identify barriers to the economic mobility of low-wage workers, and share solutions.¹ AWE and WorkRise brought together actionable research and analysis by academics and practitioners so stakeholders and decisionmakers from both systems can align efforts to provide low-wage workers with more career opportunities and better livelihoods, in turn supporting a more inclusive and thus stronger and more stable US economy.

The summary highlights insights from AWE convenings held from May to December 2023 that brought together more than 20 practitioners from nine communities across the US along with researchers from Urban Institute and University of North Carolina, Chapel Hill. As part of these convenings, researchers from the Federal Reserve Bank of Atlanta shared findings and insights from their recent Worker Voices Project,² which held focus groups with low-wage workers and nondegree job seekers across the country to understand their experiences of the economy in the recovery.

What Research Tells Us

The WorkRise research examines the impacts of the economic development and workforce development fields and their implications for equitable economic outcomes for low-wage workers, especially workers of color who face systemic challenges in achieving economic mobility. Each system, and the research surrounding it, tends to operate in isolation from the other. Such isolation limits opportunities for shared understanding and collaboration. Some key findings of the academic research are summarized below.

The low-wage US workforce has grown substantially since the 1970s.

Low-wage workers now make up nearly half the workforce and more than half of low-wage workers are prime-age working adults (ages 25 to 50); about 40 percent of low-wage prime-age workers are raising children. Low-wage workers are predominantly women and Black; nearly one-third live in families with incomes below 150 percent of the federal poverty level (about \$36,000 for a family of four), and almost half have a high school diploma or less education. Despite these numbers, **neither US economic-development nor US workforce-development policies and practices have evolved to explicitly center low-wage workers.**

The divide between economic and workforce development policies and practices creates numerous obstacles to align the two fields, despite recent efforts.

Broadly, economic developers partner with businesses and engage primarily with executives, government decisionmakers, and professional agents who specialize in project development and real estate. Workforce development practitioners, meanwhile, partner primarily with community colleges, technical schools, apprenticeship programs, and others to provide training to workers that relates to local or regional production of goods or delivery of services. Changing the evaluation of these two systems, including their goals and objectives, to center low-wage US workers will require thoughtful, action-oriented research and analysis that brings practitioners in both disciplines into sustained contact and engagement.

Practices to better align economic-development and workforce-development systems should be implemented.

Efforts to encourage worker voice, define and promote “good” job creation, link development to the needs of affected communities, and build stronger pipelines should all be framed as attempts to create a better aligned economic-workforce development system. **An explicit focus on low-wage US workers will require intentional action to center equity in both systems, particularly in federal place-based economic development programs involving businesses.**

Many traditional economic development policies have mixed results, at best, in supporting the upward mobility of low-wage workers.

Business incentives—perhaps the most well-known “economic development” practice—have particularly limited evidence of effectiveness, though they remain standard practice in some places and programs. Similarly, while federal place-based programs that operate through tax incentives to businesses, such as Opportunity Zones, could guide resources to communities targeted for economic development, there is little evidence that these programs have directly benefited low-wage workers. **Designing and implementing economic development programs in coordination with workforce development programs to realize greater benefits for low-wage workers requires innovation and continual assessment to gauge whether programs are meeting their goals and reaching the right people.**

More recent efforts better incorporate equity into both systems, but so far research examining their effectiveness is limited.

These efforts include arrangements that link economic development goals to worker empowerment and the cultivation of “good” jobs, such as through community benefit agreements, as well as programs that build pipelines for workers into better jobs while supporting businesses, such as apprenticeships. There also are sectoral programs, which coordinate investments in developing industries and work to improve the skills, employment prospects, and earnings of job seekers and workers in those industries.

These new practices often favor workers who move to targeted communities rather than local workers, which in some cases could displace existing low-wage workers and their families from distressed neighborhoods. But some recent strategies show promise for nurturing “good” jobs that center low-wage workers, such as promoting procurement as a tool for advancing more equitable funding to smaller businesses, especially minority- and women-owned enterprises. **These promising new strategies merit further study, including research on the outcomes for often-distressed communities and low-wage workers affected by them.**

What Practitioners Experience

In 2023, New Growth Innovation Network and WorkRise created an AWE community of practices with 23 economic development and workforce development professionals from nine communities across the United States. Local leaders also heard from Federal Reserve Bank of Atlanta about why and how to effectively engage with workers. These practitioners reflected on their experiences and opportunities to center low-wage workers in their programs and practices. Key findings are summarized below.

Success starts with understanding the needs of low-wage workers and building trust.

As our research indicates, economic decisionmakers have not prioritized understanding the needs, barriers and challenges of low-wage workers, leading to programs and initiatives that do not deliver equitable outcomes. However, convening underserved populations without taking appropriate measures to ensure that they feel safe and supported throughout the process can lead to further disenfranchisement.

More for Memphis is a public-private partnership that wants to improve outcomes for kids in Shelby County through better employment pathways. It grew out of the long-term efforts of Seeding Success, a trusted local nonprofit that convenes and engages with residents and workers in some of

the poorest neighborhoods in the country. Seeding Success has now engaged more than 300 neighborhood-based partners and has partnered with the Greater Memphis Chamber of Commerce to bridge the gap between employers and workers. As one chief impact officer observed, convening people effectively requires the time and resources to build the infrastructure for engagement.

Trusted community-based organizations or community leaders are key to connecting with low-wage workers and translating their needs to institutional players.

Underserved neighborhoods are often the result of past policies and decisions, leading to lack of trust for institutional decisionmakers. Community-based organizations, such as neighborhood-focused nonprofits, are an important conduit in understanding the needs of low-wage workers and residents—and translating economic decisions for local communities, especially in neighborhoods with many residents of color.

Faith-based institutions have played this role historically, but other nonprofits and leaders such as community organizers, youth groups, and housing nonprofits, are also pivotal. EmployIndy shared that it is working with local subject-matter experts who specialize in racial equity to engage with opportunity youth program participants to understand what trust looks like for them in different settings (such as work versus school or home). EmployIndy wants to use those insights in its program design to improve job quality with committed employers.

Programs on upskilling or reskilling workers are not enough; a more comprehensive approach that includes support services is needed, especially for low-wage workers.

Services such as affordable and accessible transportation, housing, and child care are also key, as is the engagement of community development organizations working with economic development and workforce development practitioners. Mahoning Valley Manufacturers Coalition (serving the Youngstown metro area in Ohio) is using the WorkAdvance model to engage community partners that can support recruitment efforts in low- and middle-income neighborhoods, provide career coaches, and work with committed employers to help solve issues. **Efforts need to center low-wage workers' access, opportunity, mobility, and inclusion in these programs while removing barriers to their participation and collaboration.**

Coaching and mentoring over the course of low-wage workers' careers can help employers retain employees.

An important first step is for practitioners to build trust with low-wage workers through discovery sessions and focus groups, for example, to help identify mentorship and wraparound services that could benefit them. ConxusNEO in northeast Ohio (Akron) sought to understand why job seekers were not pursuing frontline health care jobs and learned the reasons were a combination of disrespectful management, lack of proper training, poor workplace culture, and barriers like affordable child care and transportation. ConxusNEO is now working with a group of employers to provide training to supervisors and provide success coaches to support incoming workers. **These kinds of programs and practices are becoming essential in driving success.**

More data are needed on whether and how low-wage workers are engaged in informing economic development and workforce development programs and practices.

Of particular importance are data on programs and practices that bridge the two systems and can inform low-wage workers and employers alongside economic development and workforce

development practitioners. **These data can answer what practitioners say is the most important part of equity-focused initiatives and practices for low-wage workers: access to these programs.**

Even as the economic and workforce development fields recognize and prioritize equity, practitioners don't always understand how they can embed it in their day-to-day work, especially in bureaucratic ecosystems.

Some practitioners shared that their team or organization has been struggling with truly understanding how to do this work, and they realized that being in community with other practitioners is one important way to learn about what is happening in the field and how they can adapt some of those approaches in their own work.

Where to Go from Here

These practitioner experiences and academic findings point to real-world ways to align economic development and workforce development policies and practices so they center low-wage workers and provide opportunities to improve these workers' careers and livelihoods, including the following:

- **Create innovative programs that promote good jobs, worker voice, and community benefits for low-wage workers.** A quickly growing suite of policies links economic development goals to the cultivation of jobs that offer advancement, mobility, and worker empowerment. Research is just starting to move into examinations of implementation and outcomes. **Teasing out concrete benefits from good jobs and worker voice efforts, and clarifying who benefits from community benefits agreements, will be particularly important.**
- **Evaluate and measure how well workforce development and economic development systems are serving low-wage workers.** This will require rethinking how organizations track outcomes and creating new metrics that go beyond job creation to more detailed accounting of the short- and long-term effects on workers. To support low-wage workers, economic development practices need to better incorporate an equity lens in their assessments. And workforce policies need to be informed by and actively linked to economic development policies to better connect workers and jobs.
- **Include worker voices in real ways to inform the policies and practices of workforce development and economic development.** Too often, workers are seen as passive beneficiaries of economic and workforce development efforts rather than active stakeholders and partners. Giving workers a voice in the design and operation of programs can show what challenges exist and what resources are needed to succeed.
- **Expand apprenticeship, mentorship, and small business support models for low-wage workers.** There is growing interest in reviewing and building these models, with research questions about implementation and how best to get to scale. Researchers have program-level insights, but less is known about whether these practices lead to systems change.
- **Decouple workforce innovations from employers.** New policies need to focus on social infrastructure programs—such as universal early childhood and pre-K education, affordable housing, transportation, and child care—that federal, state, and local governments can invest in to support low-wage workers and families outside the workplace. Policy innovation and research are needed to create and understand these connections in practice, such as how business incentives might be linked with living-wage policies or how workforce development programs might be coupled with income supports. **Building pathways between ongoing bodies**

of research in these areas and their implications for workforce and economic development will help identify the true scope of their impact.

- **Pursue sectoral innovations in economic development and workforce development policies.** Programs and practices designed to grow and develop the industrial and services sectors can bridge economic development and workforce development by building local workforces that align with the opportunities and needs of local or regional economies. Part of this bridging could identify business incentives as an important lever that can be better exercised to benefit low-wage workers. **These sectoral innovations are intrinsically place-based and tied to local factors, so context is important to understanding their effectiveness and equity-related impacts.**

For more insights on these findings and recommendations, see the full report at <https://www.workrisenetwork.org/publications/aligning-workforce-and-economic-development-benefit-worker>.

Notes

¹ **New Growth Innovation Network** is a network of economic development professionals focused on inclusive economic growth strategies. **WorkRise** is a research-to-action network with a focus on labor markets hosted by Urban Institute.

² The Worker Voices Project started in May 2022. The executive summary of the project's 2023 report is available at <https://fedcommunities.org/research/worker-voices/2023-executive-summary/>.

Errata

This publication was corrected on May 28, 2024, to add Frankie Clogston to the byline and the About the Authors section.

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