RESEARCH REPORT

Aligning Workforce and Economic Development to Benefit Workers

Intersections in Research and Practice

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WorkRise

WorkRise connects workers, employers, researchers and advocates to generate ideas that can be turned into policies and practices that bring economic stability and upward mobility for all US workers—opening new opportunities for workers to thrive at work and in life.

Contents

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Executive Summary

This report examines what we know about the impacts of the workforce development and economic development fields and their implications for equitable economic outcomes for low-wage workers, especially Black individuals and other people of color who have faced systematic challenges in economic mobility. Despite their overlapping and complementary goals, these two fields have developed in relative isolation from one another. It is increasingly clear that this isolation makes *both* fields less effective than they might otherwise be. Each field also incorporates a vast range of policy and program types, from those that have been in operation for decades to ones that are only starting to be implemented.

The division between the workforce and economic development fields is mirrored in the research literature. We break out the discussion into two main sections: (1) *traditional levers,* which broadly reflect the status quo of the workforce and economic development policy fields, that have tended to show mixed results for effectiveness and have shown a historical lack of focus on improving equitable outcomes, and (2) *innovations* that refer to newer approaches to policymaking and programming that, while more likely to have equity as an organizing theme, have a more limited evidence base examining their effectiveness in promoting economic progress and fostering opportunity for historically marginalized groups.

We couple this study's review of the literature with a brief overview of policymaking, practice, and research in the workforce and economic fields. This report is designed to identify points of alignment between the two fields and illustrate the value of facilitating cross-field conversations among policymakers, practitioners, and researchers.

Our Key Takeaways

- **Traditional levers**. These remain popular, even as research evidence for their value is mixed, and many have been structured in ways that exacerbate inequities. Teasing out program and policy effects from contextual factors, and understanding who benefits, is difficult. Efforts to better incorporate equity more fully into these initiatives are relatively new and to date have limited evidence as to their effectiveness.

- **State and local business incentives**: Perhaps the most well-known economic development practice, business incentives refer to a range of tools (such as grants, tax preferences, infrastructure improvements and other assistance) that local and state governments use to attract, grow, and retain businesses. The use of incentives has a lengthy history despite showing limited evidence of effectiveness. Viewed through an equity lens, such traditional practices can result in jobs going to people newly arriving to a place rather than existing residents and siphoning away tax dollars that otherwise would be available to support vital public services.
- **Federal place-based and sectoral programs**: These policies refer to incentives provided by the federal government to encourage development in particular communities. These incentives range from the now-expired Empowerment Zone and Enterprise Community efforts to the New Market Tax Credits and Opportunity Zones and sectoral efforts such as the CHIPS and Science Act. The evidence for these policies is mixed as it is difficult to isolate the effects of these place-based policies from other factors. There is also little evidence showing these programs have directly and clearly benefited low-wage workers. To the contrary, in some instances, federal tax incentives are suspected to have resulted in the dislocation of existing residents from distressed neighborhoods. Some newer strategies have promise for nurturing good jobs and assessing their impact is an important task for future research.
- **Small business development and entrepreneurship**: The federal government has been a key player in providing resources for small businesses, through the Small Business Administration (SBA), its lending programs, and its network of Small Business Development Centers (SBDCs). These efforts have also shown mixed evidence of effectiveness. As above, local conditions and regulations seem to strongly influence how well these policies operate at the local level, and studies tend to focus on program level implementation more than systems-level effects. An increased interest in procurement as a tool for promoting more equitable funding to smaller businesses, especially minority and women-owned enterprises, is promising and merits further study.

- **Innovations**. These policies and practices, with some reappraisals of older models and others more novel, aim to integrate workforce and economic development activities and tailor the resulting activities to local economic and social conditions. Equity concerns tend to feature explicitly in the theories of change underpinning these efforts. At the same time, there is limited research into the impacts of such efforts on people and places.

  » **Good jobs, worker voice, and community benefits**: This is a quickly growing suite of policies that links economic development goals to the cultivation of good jobs that offer advancement, mobility, and worker empowerment (such as through the use of community benefit agreements). Research is just starting to move beyond case studies and into examinations of implementation and outcomes. Particularly important will be teasing out concrete benefits from good jobs and worker voice efforts and teasing out *who* benefits from community benefits agreements.

  » **Apprenticeship, mentorship, and small business support models**: These programs are intended to build pipelines through targeting training and development of people across their career pathways and/or their entrepreneurial endeavors. There is growing interest in reviewing and building these models, with research questions about implementation and how best to get to scale: there are program-level insights but less on their ability to produce systems change.

  » **Decoupling workforce innovations from employers:** This refers less to new policies and more about a way of thinking differently about current policies (such as universal education and prekindergarten, social support policies, and living wage policies) that the government uses to support workers and families outside of the workplace. Building connections between ongoing bodies of research in these areas to their implications for workforce and economic development will help identify the truer scope of their overall impact.

  » **Sectoral innovations**: These policies, designed to support the growth and development of particular industry sectors, are a clear effort to bridge economic development and workforce development by building local workforces that align with the opportunities and needs of local/regional economies. These are promising and increasingly popular; although as they are also intrinsically place-based and tied to local factors, context is important to understanding their effectiveness and equity-related impacts.

In this report, we make recommendations about how to better align and integrate workforce and economic development policy in ways that improve outcomes for low-wage workers. Our themes are highlighted below:

- **Implementation and policy/program diffusion**—Understanding how the particularities of place affect program success, with special attention to the role of local workforce and economic development ecosystems.
- **Worker voice and empowerment**—Engaging workers in program design and implementation can identify challenges and resources that can be targeted to create more equitable systems.
- **Targeting support**—Using ongoing program monitoring and tracking to ensure resources are targeted to workers and communities that actually need them and remaining nimble enough to course correct where that is no longer the case.
- **Identifying who benefits**—Similarly, tracking whether existing communities or new workers are benefiting from policies and programs and building programs that ensure existing communities and workers are not sidelined.
- **Workforce and economic engagement**—Cultivating closer ties between the workforce and economic development fields to identify areas of alignment and challenges in doing so.
- **Career pathways**—Looking beyond short-term low-wage job creation to identify longer-term career development for low-wage workers.

Implementing learnings from research into practice will require clarifying roles and identifying ways in which certain actors, such as the federal government, can more effectively scaffold and promote collaborative local systems. It also means encouraging more communication and deeper ties between economic development and workforce fields at the local level to identify opportunities and challenges. There are already promising examples of this sort of engagement in communities across the United States, but building robust and sustainable structures for engagement and alignment will be important.

- Research has an important role in supporting these efforts, through **identifying best practices, implementation strategies, data monitoring, and program evaluation,** as well as by funding innovative ideas and underwriting efforts that prove able to foster both regional economic progress and equitable economic opportunities for all persons. Areas where research would be particularly valuable in informing the field include: **Studies of program and policy implementation and diffusion to examine how initiatives operate differently in different places**.

- **Continuous monitoring and rapid evaluation** to ensure that program effects remain aligned with program goals, and building in mechanisms to course correct if necessary.

- **A focus on identifying who benefits from programs and policies, particularly place-based ones,** to assess whether they are supporting communities and workers or sidelining them in favor of new workers.

Introduction

Workforce development systems refer to approaches designed to better align opportunities for employers and their workers. Economic development systems are designed to improve the economic vitality of places: cities, counties, regions, or states. There is a potential overlap between these two systems, and there is an increased interest in connecting and integrating them more effectively. One way to think about their relationship is that workforce development increases and enhances the labor supply, and economic development increases labor demand. There also are significant opportunities to do so in ways that better support low-wage workers and activate a more inclusive economy.

Low-wage workers are a central part of the economy; as the COVID-19 pandemic made clear, they often work in essential industries, from health care to food service and transportation. Around one-quarter of the US workforce can be considered low-wage workers. Despite this centrality, low-wage workers have low stability, fewer benefits, and often limited opportunities for career advancement. Although not quite a paradox, the contradictions of having people who make up a foundational part of the workforce with such limited opportunities for self-advancement and stability have informed a host of efforts to use programs and policies to build a more equitable economy.

Our goal for this report is to identify existing and potential intersections between workforce and economic development policy systems through a review of the existing evidence. We also focus on what we know about equity, economic development, and outcomes for lower-wage workers and small business owners (we discuss both because small business owners may themselves have lower incomes or employ lower-wage workers), especially Black people and other people of color, and the value of approaches designed to improve the lives and livelihoods of these populations.[1] Our study involved examining the research evidence that programs and policies are boosting employment, raising incomes, increasing financial stability, promoting durable upward mobility, and otherwise expanding economic opportunity for workers and communities of special interest.

We lay out the existing and potential intersections of workforce development and economic development and identifies evidence-based policies, knowledge gaps, and open research questions. Broadly speaking, we focus on these questions:

- What do we already know about the impact of existing workforce and economic development systems and their intersections?
- Who are the key partners in policymaking, practice, and research examining the effects of workforce and economic development policies on lower-wage workers and communities?
- What areas need additional research to understand how workforce development and economic development can become more aligned to more effectively support lower-wage workers?
- What are next steps for using existing knowledge and connections to drive action?

There are several reasons why this report is timely. First, there is substantial academic research on workforce and economic development individually but very little on the nexus between the two related to low-wage workers. Examining both fields helps identify potential connections. Second, there is an increasing focus on equitable economic development among policymakers and practitioners that examines the equity implications of existing policies and identifies innovations. However, as we detail below, the evidence base for this newer work is thinner. Much of the academic work on innovations has focused on case studies, while the policy-forward grey literature has limited evidence.

This report reviews both academic and grey/policy-focused literature and examines the themes, evidence base for both traditional levers and innovations, unknowns, stakeholders, and implications for practice. There are three main components of this report.

- **The first is an introduction to the status and outcomes of low-wage workers and a summary background history of workforce and economic development polic**y. Since there are concepts and terms in the workforce and economic literature that not everyone treats in the same way, this section also provides context for our use of these concepts, particularly low-wage workers, economic development, workforce development, and equity. Shared definitions make it easier to design policies and practices across systems and help people in separate systems to better understand and communicate with one another.
- **Second, we delve into the policies, providing an overview of traditional economic development and workforce levers**, **the evidence pointing to their effectiveness,**

and their limitations. We then focus on **innovations**— comparatively novel policy levers intended to address the weaknesses of traditional policies and designed to promote more equitable outcomes. These two sections are the core of the report. We also acknowledge overlap between traditional and innovative policies: there are innovations in long-standing workforce and economic development policies, and innovations are often reimagining traditional policies.

- **Finally, we provide an overview of the field involved in workforce and economic development**—researchers, policymakers, practitioners, and employers, to clarify how these various stakeholders are (or are not) speaking to one another already. We end with some **takeaways and suggest** next steps for the field.

This report's findings highlight the potential value of and appetite for better aligning workforce and economic development policies, particularly for the benefit of lower-wage workers.

The Status of Low-Wage Workers in the US Economy

Although the terms low-wage work and low-wage workers are commonly used in discussions about the broader workforce, there are no official designations of what low-wage work entails. A common threshold used by many researchers and the Organization for Economic Cooperation and Development is two-thirds of a median hourly wage. Different wage cutoffs result in more or fewer numbers of low-wage workers, even if evidence has shown that the trends for groups of varying size generally align. Focusing on the lowest-wage workers, evidence shows they tend to be younger, more likely to use public supports, less likely to work full time, more likely to be a woman, and more likely to be a racial or ethnic minority.[2] Wages also vary by location. While one Brookings Institution account reported $16.67 an hourly threshold in 2018, adjustments for variations in local cost of living led to a low of $13.10 in Beckley, West Virginia, to a high of $21.60 in San Francisco.[3]

However defined, low-wage work as a share of overall employment grew substantially from the 1970s through the recent past, although there is evidence that recent labor market tightness may be compressing the labor market by increasing wages for lower-wage workers (Autor, Dube, and McGrew 2023). According to a Brookings Institution report analyzing the demographic of low-wage workers nationally, more than 44 percent of all workers ages 18–64 earn low hourly wages. Fifty-six percent are in their prime working years of ages 25–50, and this age group is also the most likely to be raising children (43 percent). In more than 350 metropolitan areas, the share of workers earning low-wages ranges from 30 to 62 percent, and workers are particularly concentrated in smaller places in the southern and western regions of the US (Ross and Bateman 2019).

Despite the low-wage workforce being concentrated in a few number of occupations, there is significant diversity within this workforce: whether transitional to subsequent higher-income employment or more permanent in nature. Women and Black workers are overrepresented among low-wage workers. Nearly one-third live below 150 percent of the federal poverty line (about $36,000 for a family of four) and almost half have a high school diploma or less.

Lower wage works were initially harder hit than workers with higher wages at the outset of the COVID-19 pandemic, with many industries (hospitality and tourism, for example) with large shares of lower-wage workers particularly hard-hit with job losses. However, labor market tightness in the post-COVID economic recovery has led to wage growth among lower-income workers and more opportunities for moving to higher-paying opportunities (Autor, Dube, and McGrew 2023). This wage growth has been particularly pronounced in some industries such as hospitality and has led to declining wage inequality for the first time in decades.[4]

A Summary of Economic and Workforce Development Policy

Despite seemingly being two sides of the same coin, the practices of workforce and economic development in the US have unfolded largely along separate paths. Calls for the integration of the two fields have grown steadily louder since the 1990s and have prompted numerous public, private, and philanthropic efforts to fashion more holistic programs better suited to contemporary economic and social realities. Even the most promising approaches, however, have found their scope and scale limited by historical structures and practices.

Economic development may be defined as "the intersection of public policy and commerce for creating jobs, prosperity, business and wealth."[5] The modern practice began in the American South during the Great Depression, as states like Mississippi attempted to close the economic gaps that separated them from the rest of the nation. Early state-led initiatives centered on the provision of public subsidies to private firms willing to establish, expand, or relocate operations within the borders of a given state. When combined with lax labor and tax regimes aimed to result in cheap labor and low taxes, these programs enticed many low value-added industries, such as textile and light manufacturing, to shift operations from higher cost regions of the country into the American South (Cobb 1993; Quinterno 2014).

These efforts from nearly a century ago introduced many of the features common to the practice of economic development today: the animating idea that communities must engage in a zero-sum competition for economic activities, a belief that the key to competition is offering factors of production as cheaply as possible, a negotiating stance that privileges the interests of firms in the hope that benefits will trickle down to the community, an acceptance of the need to stimulate economic activity through generous public subsidies, and the need for entities connected to state government to play a coordinating role (Quinterno 2014, 52). Put crudely, the traditional mindset of economic development policy is to "shoot anything that flies; claim anything that falls"(Rubin 1988).

The tools used by economic developers have evolved over the years from assistance in preparing industrial sites by building needed infrastructure to the direct provision of cash grants and other financial/tax concessions to favored firms. The expenditure of increasingly large sums of public monies on private firms has become generally accepted throughout American society despite its supposed preference for private market competition and purported skepticism of government intervention in the economy. For example, the State of North Carolina's 2021 decision to award Apple, Inc. nearly $1 billion in public subsidies over 39 years—funds that would come by redirecting a portion of the state income taxes paid by Apple employees to the firm—to establish a research campus in the Raleigh-Durham area drew bipartisan political support and minimal public criticism.[6]

Proponents of economic development subsidies have long offered two public purpose rationales for the diversion of public funds from general uses, such as education and human services, to individual private businesses (Quinterno 2014, 53). First, the use of funds is justifiable since the monies ideally will increase the amount of private investment in a community, which will expand the number of jobs, raise local incomes and create additional demand for goods and services, and will cause the cycle to repeat. Second, proponents argue that additional economic activity in a community will expand the local tax base, which will enable a community to improve public services and amenities and then will attract more private investment. There is, of course, no guarantee that a state or local government will invest additional funds in the general welfare nor any guarantee that economic expansion will not displace existing residents in favor of newer, more affluent ones. Nevertheless, these two rationales are still commonly cited.

It is important to note that the practice of economic development in the US has lacked any clear theoretical underpinning; instead, practitioners generally have reacted to changes in larger political, economic, and social contexts and have grabbed onto strategies that seem feasible in very much a catch-as-catch-can manner (Quinterno 2014). Over time, disparate practices have combined through a process of accretion, even when many of the individual elements are incompatible with one another. For instance, models that assume markets are inherently rational and self-correcting are at odds with those that see markets as inefficient, which creates gaps for entrepreneurs to seize. As a result, success typically is measured crudely in terms of quantitative increases in measures like jobs and output. In short, the goal is simply—more. Despite a tendency to emulate others and add on strategies over time, recent studies suggest that local approaches to economic development are not necessarily haphazard, and that strategy use varies in relation to certain local factors (Morgan, Hoyman, and McCall 2019).

The state-level practice of economic development has unfolded in three broad waves (Quinterno 2014, 53). First-wave efforts—often disparagingly referred to as "*smokestack chasing*"— lasted from the 1940s through the 1970s and involved coordinated attempts to attract firms away from one part of the country to another, typically from relatively higher cost northern locations to relatively lower cost ones in the American South. The economic slowdown of the 1970s and the onset of northern deindustrialization led to second-wave efforts centered on the cultivation of internal sources of growth, such as the funding and commercialization of scientific research and support for higher education. Third-wave efforts began in the 1990s that attempted to combine aspects of the prior two waves with a deeper understanding of business realities and local conditions. The third wave emphasized how firms, industries, and local economies operate; such approaches often are referred to as sectoral development (see Lester, Lowe, and Freyer 2014).

Third-wave efforts are where economic development begins to develop stronger ties to **workforce development**, a policy area with its own rich, complicated history. One definition of workforce development is efforts to "provide, fund, or induce increases in employment and skill levels as well as policies that redistribute opportunities for employment and skill increases"(Barnow and Nightingale 2007, 26). Essential workforce development tasks include fostering the education and skills of workers, matching workers to appropriate job opportunities, and enhancing employment security (Quinterno 2009, 18).

Some of the earliest efforts at modern workforce development occurred immediately after the Second World War when southern states realized that gaps in workforce skills and abilities were hampering the kinds of industrial recruitment efforts described earlier. States like North Carolina began offering customized job training to firms in 1967, while also having established previously a statewide network of industrial education centers that eventually became part of the community college system (Quinterno 2009, 21). Such programs, however, were primarily designed to serve industry and not actively advance any kind of proactive labor, higher education, or poverty reduction goals.

Modern workforce development programs emerged during the 1960s as part of federal anti-poverty efforts. Beginning with the Manpower Demonstration and Training Act of 1963, and continuing with actions such as the Congressionally-created Economic Development Administration (EDA) in 1965,[7] the federal government has funded a shifting constellation of programs that share a focus on disadvantaged social groups, the use of local governance mechanisms that involve private-sector representation, and a reliance on initiatives intended to improve the skills of individual persons instead of affecting systematic change. Today, the main federal funding program is the Workforce Innovation and Opportunity Act, which, through Title I, provides services for adults, dislocated workers, and young adults, with priority given to recipients of public assistance, other low-income persons, and people with limited basic educations (Derenzis et al. 2023, 4).

Despite the name, there is no single coherent workforce development system in the United States. Instead, the country has a set of "multiple nonsystems, each with their own definitions of the problem, preferred solutions, performance metrics, and funding silos" (Giloth 2007, 15). Even though the federal government provides funding for workforce development initiatives, states play a key role in administering those programs.

In addition to fractured governance, traditional workforce development efforts face other problems including relative underfunding, too much demand for available services, flawed performance measures, and limited effectiveness. Perhaps the biggest deficiency is one of political economy; namely, traditional workforce development programs assume that low-income individuals are somehow qualitatively different from higher-income ones and that their economic challenges are attributable to their personal shortcomings rather than larger structural issues (Quinterno 2009, 23).

Geography is another key component that workforce and economic development initiatives need to consider: is the problem macro/regional (at the scale of an area's overall labor market) or more micro/neighborhood-level in nature? This has implications for programs: regional interventions may focus on overall job creation, while neighborhood-level interventions focus on providing access to and opportunity for employment for people in certain neighborhoods.

Challenges to Workforce and Economic Collaboration

The historical divide between workforce and economic development policy has created numerous obstacles to uniting the two practices. One difference is that the two fields have evolved to serve different constituencies. Economic developers partner with individual firms and engage primarily with executives with decision-making authority and professional agents who specialize in subjects like site selection and real estate (Rubin 1988; Williams 2021). Workforce development practitioners, meanwhile, provide direct services to individuals who likely will move into roles related to the direct production of goods or the delivery of services. Economic developers devote their attention to business (and in so doing increase the demand for labor), while workforce developers focus on labor (and in so doing increase the supply of labor).

The two fields also define success differently. Traditional economic development focuses on increasing the absolute number of jobs in an area, while "the quality of the jobs created and who gets those jobs are of secondary importance"(Ericksen 2023, 27). Workforce developers, however, value the quality of available jobs since low-wage, low-skill jobs are unlikely to enable a working person to prosper and move out of poverty. To the extent that low-wage, low-skill jobs are held disproportionately by workers drawn from historically marginalized communities, workforce developers also value equitable employment opportunities.

In fact, concerns about equity long have been absent from economic development policy, which frequently reflects an assumption that economic growth by itself will benefit all segments of the community despite frequent instances "in which rapid expansion in employment and/or income has been accompanied by sharper social differentiation" (Benner and Pastor 2012, 1). For example, policies that grow a region's economy by attracting newcomers with higher incomes can trigger a process of gentrification that displaces existing residents and exacerbates economic hardships among others—hardships that can in turn actually slow growth. In contrast, evidence suggests that policies, like those common in workforce development, "that target poverty and increase the productive nature of the poor, such as investments in education, can increase growth" while also ensuring that its benefits are shared more broadly (Benner and Pastor 2012, 3).

Workforce and economic development structures tend to be detached from local labor markets. Labor markets often are broad enough in scope to transcend administrative/political boundaries like county or city lines, but workforce and economic development agencies tend to have fixed, narrow geographic service areas. This can foster unproductive competition among economic development agencies that serve different jurisdictions within the same metropolitan area (e.g., two neighboring cities) and unnecessary duplication of services across workforce development entities. Fragmented governance structures also limit collaboration between rural and urban areas in the same metropolitan area that could ideally partner to offer a business an entire set of needed locations. For example, a firm could place its research functions in an urban area with a major university and its manufacturing plant in a nearby rural area, thereby facilitating both product and process innovations. The result: greater regional growth than would be achieved by completing either project by itself (McGahey 2023).

Meanwhile, traditional workforce and economic development structures have had to contend with profound restructuring. Over the past 50 years, American employers have reorganized their business models and labor practices in response to changes like globalization—changes that have led many firms both to use technology and automation to eliminate many jobs and to adopt flexible labor relationships in which employees can be added and subtracted as necessary, often via arms-length relationships involving independent contractors, temporary agencies, or other labor market intermediaries (Yang Liu, Doussard, and Lowe 2023). When combined with demographic changes in the labor force and the erosion of labor market institutions like unions, the labor market has become dominated by nontraditional employment relationships "frequently associated with less regular work hours, higher insecurity, and precarity" (Yang Liu, Doussard, and Lowe 2023, 65). This process has led to a widespread stagnation in wages and a corresponding reduction in intergenerational income mobility (Erickcek 2023).

A byproduct of the fissuring of the American workplace is that many employers lack a clear understanding of the actual skills required by a successful, productive employee. At one time, companies looked to hire candidates who were qualified in a general occupation and then add firm-specific skills via in-house training, but today, firms look to outside actors like workforce agencies to deliver perfect candidates with an exact set of firm-specific skills that few outside candidates are apt to possess or workforce development agencies able to cultivate. When the perfect candidate fails to emerge, the gap then is attributed to skills shortages (Cappelli 2012).

Finally, the COVID-19 pandemic has disrupted the labor market. When the pandemic sparked widespread economic shutdowns in early 2020, a primary source of economic aid to affected workers came in the form of enhanced unemployment insurance, which, as structured in the US, typically requires a severing of employment ties between a worker and an employer. The loss of payroll connections meant that many employers no longer had a workforce to recall when the shutdowns eventually ended and therefore had to rebuild a workforce from scratch under much tighter labor market conditions than existed prior to the pandemic.[8] There were significant policy responses designed to maintain these connections, notably the Paycheck Protection Program, which offered forgivable and guaranteed loans to small and mid-sized businesses to prevent job losses and provide liquidity. Research on the program has been mixed as to its effectiveness, particularly considering the program's large size: it limited job loss and prevented firm closures, but most of the funds stayed with businesses and not employees (Autor et al. 2022; Granja et al. 2022).

Many workers, meanwhile, realized just how poorly so many jobs in the US pay and proved reluctant to return to the pre-COVID status quo. Aided by the first tight labor market since the late 1990s, workers have been able to push for better wages and working conditions, such as the continued use of remote work, both in individual negotiations and through more collective labor actions like union organizing and striking. The post-COVID labor market also provided many opportunities for individuals to switch jobs, which matters since job switchers historically tend to experience higher wage growth than do job stayers (although the advantage decreased in 2023 after peaking in 2022).[9] It remains unclear, however, if the labor market changes stemming from the pandemic will be transitory or permanent ones. All this is to illustrate the complex and uncertain environment within which workforce and economic development initiatives operate, particularly the traditional measures implemented during previous economic cycles, which we turn to now.

Traditional Levers

This section provides an overview of what research shows about how well *traditional* levers of economic development support low-wage workers. With considerable research literature in this space, we focus here on recent research and use relevant synthesis pieces to provide a high-level overview and point readers to resources for further investigation. Building on the background section, we also touch on how these traditional approaches may be limited in how effectively they can promote more equitable outcomes and respond to the changing nature of work and employment.

What Do We Know about Traditional Levers?

Traditional approaches to economic development have not typically emphasized improving outcomes for low-wage workers directly. Business incentives, most notably, provide direct benefits to employers that do not often extend to the workers they employ, especially those in low-wage jobs. For example, a corporate tax credit can boost a company’s bottom line profit in a particular location but may be of little direct consequence for workers beyond the jobs and wages the tax credit is purported to induce. Business support and assistance models, and ones targeting small businesses or entrepreneurs, may benefit workers more directly (the latter especially if the entrepreneur is considered a worker). We focus on three main sets of levers:

- **State and local business incentives**—local and state efforts that promote attraction, retention, and expansion of businesses within the given locality.

- **Federal place-based and sectoral programs**—programs supported by the federal government that target economic development incentives to specific places or sectors.
- **Small business development and entrepreneurial supports**—assistance targeted to entrepreneurs and businesses at the start-up and early stages of growth.

State and Local Business Incentives

A significant amount of commentary and research on economic development policy has focused on local and state tax and place-based incentives to businesses—an appropriate focus given the dominant role that state and local governments play in the practice of economic development. While definitive numbers are difficult to find, one credible analysis from 2020 estimated that state and local governments accounted for $50.7 billion of the $57.8 billion spent annually to assist businesses (Bartik 2020a, 4). Put differently, of every $100 spent to assist businesses each year in the United States, $87 come from state and local sources.

State-level tax incentives for job creation, defined as "tax breaks or cash grants that are either some dollar amount per new job or some percentage of the new jobs' wages," are the main source of aid offered today (Bartik 2019,8). A typical program allows for an incentivized firm to effectively keep a portion of the personal income tax withheld from a worker's wages. In other words, a portion of a worker's individual tax payment is redirected from a state's general fund, where it could be used for public purposes, to the employing firm.

The second largest source of assistance comes from local governments, primarily in the form of property tax abatements (Bartik 2019, 9). In most states, the property tax is the main source of revenue for units of local government like cities and counties, so an abatement reduces or eliminates the amount of property tax that an incentivized firm otherwise would owe a local government, often for a span of years. This reduces the amount of tax revenue a city or county would otherwise collect and effectively transfers the responsibility for funding vital public services to nonsubsidized taxpayers.

Depending on the industry of the incentivized firm, a state may extend other tax incentives, such as credits against corporate income taxes owed, for firms that engage in certain kinds of investment activities or undertake certain forms of research and development (Bartik 2019, 9). The cumulative size of these statutory tax credits, however, is tiny compared to the aforementioned discretionary grants awarded for job creation, in part because so many states have reduced sharply or eliminated entirely their corporate income taxes, thereby rendering tax subsidies linked to those taxes less meaningful to businesses.

Finally, many states provide direct support services targeted to individual firms, such as customized support for manufacturing firms often delivered through public universities or tailored training programs offered by two-year colleges (Bartik 2019, 9). Other examples of business-support services include business counseling, assistance in navigating public procurement processes, and guidance in exporting goods or services.

State and local governments long have cited two reasons for the provision of tax breaks and other public monies for the exclusive benefit of private firms, as discussed previously. First, the use of funds is justifiable since the monies will trigger a cycle of economic growth that will boost the overall size of a local economy. Second, the economic activity that flows from the incentivized firms will expand the local tax base, which will enable a community to improve public services and amenities, thereby improving the overall quality of life for residents.

The empirical research on the effectiveness of state and local incentives is mixed at best. State and local incentives appear to positively influence business location decisions and job growth in certain instances, and they are practically useful in helping economic developers to close deals. The precise effects of these incentives on firms, workers, and local economies depend on a variety of factors including their size, how they are structured, their cost, type of industry, and who gets the jobs being created (Bartik 2020c). Timothy Bartik of the W. E. Upjohn Institute has extensively documented many of the problems with state and local incentives for economic development. The five most serious problems Bartik identified are the following (Bartik 2019, 5–6):

1. Incentives seldom are large enough to materially alter a firm's decisionmaking, meaning the incentives often support choices the firm would have made anyway.
2. The actual economic multiplier benefits frequently are lower than claimed.

3. The bulk of new jobs associated with a subsidized project typically go to in-migrants to a community, not existing residents.
4. Accommodating the resulting job and population growth often requires additional spending on public services that can equal or exceed any new tax revenues.
5. Paying for costly incentives typically requires a state or local government to cut other public services or effectively raise taxes on nonfavored residents and firms.

More recently, some supporters of state and local incentives have argued that such subsidies can promote equity by extending the benefits of economic development to more people and places, especially those most in need. Yet, as noted above, when the bulk of the jobs associated with incented project ultimately go to in-migrants to the region, local residents not only miss out on the new jobs, but they also are confronted with higher costs for such basic goods as housing. Low-income and marginalized residents also can be left worse off when public services like K-12 education are cut to pay for the incentives or in response to budget squeezes occurring when a heightened demand for services exceeds available tax revenues (Bartik 2018, 36). In addition, the kinds of firms that receive business subsidies tend to be concentrated in industries in which Black and Hispanic workers tend to be sorely underrepresented (Austin, Glaeser, and Summers 2018; Parilla and Liu 2018, 24).

Federal Place-Based and Sectoral Programs

Federal programs account for a small portion of economic development spending in the United States, amounting to an estimated $13 of every $100 spent each year (Bartik 2020b). Direct funding comes through agencies like the US Small Business Administration (SBA), the Economic Development Administration within the US Department of Commerce, and targeted funds provided through programs or offices located within the US Department of Housing and Urban Development (HUD) and the US Department of Agriculture.

At one time, the federal government played a more direct role in place-based economic development, such as by founding and funding such regional development bodies as the Appalachian Regional Commission and the Tennessee Valley Authority. Since the 1980s, the federal government instead has attempted to use the tax code to encourage private-sector actors to invest in distressed communities that ostensibly should benefit the low-wage workers and small business owners who reside in those areas.

Inspired by the state enterprise zone experiments of the 1980s, two concepts that emerged during the Clinton Administration in 1993 were Empowerment Zones (EZs) and Enterprise Communities (ECs). The EZ/EC program offered certain tax benefits to businesses located in census tracts with high poverty and unemployment. Initially, nine distressed areas (six urban and three rural) were designated as EZs qualifying for the largest amount of tax incentives and grants. An additional 95 areas (65 urban and 30 rural) became ECs with eligibility for fewer tax breaks and less grant funding. The incentives available to EZ/EC businesses included an employment tax credit on the wages paid to people who resided and worked in the zone/area. In 2000, Congress authorized Renewal Communities (RCs) as another mechanism for encouraging businesses to locate in economically distressed places and hire the workers who live in them.

The EZ/EC/RC programs have expired and what we know about their effectiveness is somewhat inconclusive. As with the evaluation of any policy intervention, the two central questions are: (1) How well does the program work, and (2) For whom does it work? On the first question, the evidence about the effectiveness of EZs, ECs, and RCs is mixed. With respect to the second question, the empirical literature is sparse. Researchers have used various methodologies and statistical estimation techniques at different time intervals in studying the effectiveness of these programs, which contributes to the difficulty in identifying any definitive consensus about the findings.

Some of earliest assessments of the federal EZs and ECs were sponsored by government agencies such as HUD and US Government Accountability Office (GAO). In 2001, HUD commissioned a fairly comprehensive albeit inconclusive interim assessment of the EZ/EC program midway through the initial 10-year period. The study observed job growth within the zones analyzed and notable increases in the number of zone residents employed by zone businesses. A significant uptick in business ownership among both zone residents and minorities occurred, which is important given the additional finding that "resident owners and minority owners were statistically more likely to hire other residents in their zone businesses than were nonresident or non-minority owners of zone businesses" (Hebert et al. 2001). Despite some positive results, the HUD study was unable to attribute them to the EZ/EC program directly.

A 2006 GAO evaluation found that some EZs and ECs experienced declines in poverty and unemployment and saw increases in jobs and the number of businesses within the designated areas. However, econometric analyses conducted to isolate the effects of the program failed to establish a clear connection between the zone designation and observed changes. The EZ/EC stakeholders who were interviewed attributed the positive changes to a combination of program and external factors. For example, stakeholders asserted that lower poverty rates had resulted in part from EZ/EC activities, but they also noted that the population in their communities had changed, with original EZ/EC residents moving out of the area and individuals with higher incomes moving in (GAO 2006).

Research conducted outside of federal agencies is similarly mixed with respect to its findings on the effectiveness of the EZ/EC/RC program. There is some evidence of modest program effects while many of the studies raise more questions than answers. One study found that being an EZ/EC exerted a positive and statistically significant influence on unemployment, poverty, wage and salary income, and employment but was later largely refuted based on methodological error (Ham et al. 2011; Neumark and Young 2019). Another analysis provides some of the more compelling evidence of possible success in finding that EZ designation was associated with substantial increases in zone employment and modest increases in the wages among zone resident workers without any corresponding change in the cost of living (Busso, Gregory, and Kline 2013). Some studies yield conflicting results depending on the methods used. To illustrate, consider Hanson whose traditional OLS statistical regression results indicated that the EZ program boosted resident employment levels and lowered poverty rates, but his alternative instrumental variable statistical estimates showed no effect on resident employment but resulted in higher property values (Hanson 2009). The independent research on EZ/EC/RCs has struggled to establish a causal relationship between the program and desired outcomes or demonstrate how the program directly benefitted low-wage workers in a meaningful way.

Enacted in 2000, the federal New Markets Tax Credit program seeks to attract private investment capital to underserved low-income communities (Morgan 2021). Specialized financial intermediaries known as Community Development Entities (CDEs) apply to the US Treasury Department to receive an allocation of tax credits. CDEs sell their tax credit allocations to secure capital from investors that is used to finance "qualified" businesses and revitalization projects in low-income areas. There is some evidence that New Markets

Tax Credits have supported new job opportunities and public resources; although it is difficult to determine the economic impact on preexisting residents (Theodos, Edmonds, and Tangherlini 2021; Theodos et al. 2021).

The latest federal place-based tax incentive intended to steer private investment to distressed communities is the Opportunity Zone (OZ) program included in the Tax Cuts and Jobs Act passed by the US Congress in late 2017.[10] The OZ approach is informed by the policy learning gained from predecessor geographically targeted tax incentive programs such as EZs, ECs, RCs, and New Markets Tax Credits (Morgan 2021). OZ proponents assert that it is a more flexible and accessible tool for investors with substantially greater upside potential for attracting capital to a larger number of distressed communities (Council of Economic Advisers 2020).

The OZ program offers a tax deferral to investors who reinvest previously earned capital gains in one of 8,764 OZs nationally that have been certified by the US Department of the Treasury. Eligible OZs are economically distressed areas located in high-poverty, low-income census tracts. There are great expectations for OZs to stimulate private investment in underserved, under-capitalized communities. At the same time, there is concern about whether these investor tax benefits could do more harm than good in terms of how they affect low-income zone residents (e.g., displacement and gentrification, etc.).[11] Some of the early evidence on OZs points to limited impacts and finds that the "tax breaks have largely benefited areas already experiencing development, projects that would have occurred in the absence of an incentive, and/or projects...that do little to create employment and economic activity in surrounding communities."[12]

Under the Biden Administration the federal government has begun to engage more directly in efforts to nurture specific industries instead of businesses more generally. A central aim of the CHIPS and Science Act of 2022, for one, is to foster the growth of semiconductor manufacturing within the United States. Similarly, the Infrastructure Investment and Jobs Act of 2021, also known as the Bipartisan Infrastructure Law, provides local communities with funding to build, upgrade, and expand critical built assets like roads, bridges, rail lines, and utility grids. Notably, the Broadband Equity Access and Deployment Program (BEAD) authorized through the Bipartisan Infrastructure Law provides states with funding to expand high-speed internet service to underserved communities, many of which are rural communities with local businesses that would benefit meaningfully from improved service (Whitacre, Gallardo, and Strover 2014; Deller, Whitacre, and Conroy 2022).

Programs like BEAD have the potential to link workforce and economic development activities. As part of their planning process, states are required to analyze trends related to the potential broadband workforce and outline how they will use the federal funding to "ensure an available, diverse, and highly skilled workforce"(US Department of Commerce 2023). North Carolina, for one, intends to develop three regional training hubs for fiber optic technicians housed at community colleges. To that end, the state will join with community-based organizations to both expand the diversity of the potential broadband workforce and to provide support services that will allow populations like low-income mothers to participate (NC Division of Broadband and Digital Equity 2023, 44–46).

The BEAD program also requires states to ensure that the "jobs created by BEAD investments create good jobs and safe work environments"(US Department of Commerce 2023). Put differently, states can set high labor standards regarding such matters as wages, benefits, and worker voice that private firms must meet to receive subcontracts under the BEAD program. Firms seeking to contract with the state to build broadband networks must adhere. Unfortunately, states have wide latitude in their programs designs, meaning that some states may set high standards while others may require no more than the legal minimums.

Small Business Development and Entrepreneurship Supports

Although small businesses are a key component of the US economy (businesses with fewer than 20 employees account for 89 percent of US businesses), there are significant challenges with starting and scaling them: the necessary starting capital (an average starting cost is over $30,000) requires use of significant personal savings or credit or access to business credit from lenders, who tend to focus more on businesses with already-existing cash flows than those just starting. The small business sector also reflects histories of segregation and unequal access to credit: Black- and Latino-owned firms are underrepresented based on population and are, on average, less financially secure.[13]

The federal government has played a role in efforts to support small businesses for decades and has a wide range of tools designed to support small businesses (Theodos et al. 2024). A key player is the Small Business Administration (SBA), created in 1953 (and building on a number of Depression–and World War II–era initiatives), and directly tasked with these supports. SBA initiatives include finance programs and counseling and training aimed at small businesses, and establishing goals for other federal agencies to designate contract dollars for small businesses.[14]

The impact of SBA lending programs is difficult to tease out from other factors. A 2008 evaluation of the SBA's loan and investment programs found that differences SBA financing terms were not clearly associated with increased employment or sales for businesses that received the loans, and that other factors, such as local and state regulations, taxation systems, and other programs, as well as less tangible characteristics such as charisma or business acumen likely played important roles (Rossman et al. 2008). Studies examining the broader effects on local economies have found mixed effects. One found a negative association between SBA per capita lending and income growth (Higgins et al. 2020), while others have found a positive relationship between SBA per capita lending and employment (Orzechowski 2020, 2023). More recent appraisals have also called for better performance-related measures and data, to more effectively examine effects (see Dilger 2019).

Another area of support for small businesses and entrepreneurs has been counseling and training initiatives. The Small Business Development Centers are one example. These centers, which are, hosted in academic institutions with federal support, provide counseling and training to small businesses to support both start-up and expansion. One review found this initiative was linked to new sales and new jobs for involved businesses and generated incremental tax revenue returns beyond program expenditures (Chrisman and Katrishen 1994). However, recent reviews of the broader range of these and similar initiatives have found that more empirically rigorous and theoretically-informed studies would have value for the field. One recent review of studies of entrepreneurial support initiatives found the extant body of research was limited by limited conceptual frameworks and a related lack of clearly articulated mechanisms, as well as by small samples and limited focus on local context (Ratinho et al. 2020). Similarly a recent review of entrepreneurial support organizations (or ESOs) finds the lack of a clear conception of support in the research literature has limited its ability understand impact (Bergman and McMullen 2022).

A final way that government entities and other institutions can support small businesses is through their procurement practices. According to the GAO, the federal government purchases some $665 billion in goods and services from the private sector each year, with billions more spent each year by state agencies, local governments, and public entities like colleges and universities.[15] Unfortunately, relatively few small businesses and even fewer minority-owned businesses participate in governmental procurement processes, in part due to the complexity of those processes. Recently, advocates and analysts have called attention to the power of the *procurement economy* as mechanism for supporting smaller and minority-owned businesses and have proposed various strategies for bringing historically underutilized businesses into the procurement ecosystem in a manner potentially more effective and less legally contested than set-aside programs.[16]

Finally, a recent review of federal small business supports noted a number of limitations: limited equity financing and other challenges around obtaining credit, a complicated and fragmented business support system, and limited opportunities to support entrepreneurs from lower-wealth backgrounds (Theodos et al. 2024).

Challenges and Equity Implications of Existing Approaches

The separate evolution of the practices of workforce and economic development has hindered either field from proactively addressing changes in the larger economy, such as the explosive growth in low-wage work that has occurred since the late 1970s.

Numerous scholars and journalists have traced the transformation of the American labor market from one that provided relative security, stability, and opportunity to a broad swath of working people to one characterized by insecurity, precarity, and downward mobility. For example, in a 2008 presidential address to the American Sociological Association, Arne Kalleberg of the University of North Carolina at Chapel Hill provided a comprehensive account of the economic and political choices that have made work more precarious and, as a result, have fostered greater economic instability, insecurity, and inequality (Kalleberg 2009). The consequences have been borne disproportionately by economically marginalized people and have become intertwined with multiple other social ills—a combination reflected most strikingly in declining life expectancies for working-class individuals linked to "deaths of despair"(e.g., Case and Deaton 2020).

Ideally, the practices of workforce and economic development, individually and jointly, would be able to mold labor markets in ways that produce high-wage, high-quality jobs for everyone, especially persons belonging to historically marginalized or disadvantaged communities. Yet that has not been the case, and instead, practitioners in both fields have been able only to react to changes in the larger environment and make do with the resources available to them.

The design of workforce and economic development policies has significance for actual places and communities as well. Explicitly place-based programs tie businesses to specific locations, from states, to jurisdictions, to neighborhoods. At the local and state levels, this has led to competition between jurisdictions that may have limited or even negative consequences for residents with questionable benefits. Further, these programs can destabilize existing communities if redevelopment and investment foster displacement and gentrification. Enticed by tax incentives such as those afforded through the NMTC and OZ programs, private investors see opportunity for high returns in blighted areas with depressed property values. Once an area is physically revitalized it can attract wealthier new residents who drive up rents and home prices to the point that existing low-income residents are priced out of the market and may be forced to leave.

Local governments can mitigate the effects of gentrification by preserving land for affordable housing, creating community land trusts, and enacting policies such as inclusionary zoning/housing to prevent excessive displacement of low-income residents. Another way to counteract the potential negative effects of development and revitalization projects on existing low-income neighborhoods is to use community benefits agreements (CBAs) to ensure residents directly benefit through local hiring and provision of affordable housing units, parks, recreational facilities, and other public amenities (discussed in the Innovations section below, but also see Gross 2008; Marantz 2015; de Barbieri 2016; Bowdler, Cisneros, and Lubell 2018; and Morgan 2021).

Despite decades of various federal, state, and local interventions, low-wage work remains a problem across the US. In 2020, according to data compiled by the US Bureau of Labor Statistics, some 6.3 million Americans had incomes that fell beneath the federal poverty level despite participating in the labor market for more than half the year; put differently, four of every 100 people in the labor force lived in poverty despite working. This suggests that the economic struggles of many low-income households result not from a lack of work, but from work that pays poorly, offers too few hours, or is unstable and sporadic. In fact, additional research shows that 83 percent of the persons who met the definition of *working poor* used by the US Bureau of Labor Statistics experienced one of three problems during the year: low earnings, periods of unemployment, and involuntary part time unemployment. The most pronounced problem was low earnings, which was cited by 61 percent of working poor persons.[17]

The definition of working poor that the US Bureau of Labor Statistics uses is limited since it is measured in relation to the federal poverty level, which is widely understood as being a flawed measure (Quinterno 2014). Nevertheless, even that limited definition reveals notable disparities between different segments of the workforce. Working poverty rates were higher for women than for men, while workers who identify as Black or Hispanic were more apt to fall below the poverty level despite working more than their White or Asian peers. Similarly, working poverty rates were higher for younger workers than older ones, persons with less formal education than those with more, and individuals in service occupations than persons in production or management occupations.[18]

Unfortunately, many traditional workforce and economic development programs lack meaningful wage standards and instead consider any job to be a good job. When programs do consider wages, for instance, they often look at them in relation to standards like the federal minimum wage, the federal poverty level, or local wage structures. Yet the first two benchmarks are outdated and disconnected from actual living standards in many places, while the final standard is simply reflective of local wage structures. As such, it is advisable to peg business incentive eligibility to a wage level that exceeds the local average by some percentage.[19] Unless public actors use their powers to set high wage and benefit standards and require subsidized private-sector actors to meet them in exchange for public funds, traditional programs will not be able to drive meaningful change that benefits low-income and marginalized groups. Despite concerns that wage standards may stifle job creation or be perceived as unfriendly to business, there is some evidence that such requirements do not negatively affect local employment levels.[20]

There is a growing sense that traditional economic development falls short in terms of expanding opportunity and mobility among low-wage workers and people of color. As such, the economic development profession has become more concerned about equity in recent years, in part due to evidence for increased inequality since the 1970s.[21] While recent decreases in disparities and increases in low-wage workforce wages are promising, it is not clear whether these trends will have staying power or will reverse again.

The income gap between whites and non-whites has been sizeable and the racial/ethnic wealth gap is stark. In 2020, the median incomes for Black ($45,870) and Hispanic households ($55,321) were considerably lower than that of white households ($74,912). In 2019, the median net worth of white households ($188,000) was eight times greater than that of Black households ($24,000) and exceeded that of Hispanic households ($36,000) by a factor of five. An analysis prepared by the Urban Institute[22] examines some of the factors that are thought to perpetuate such wealth inequality including lower homeownership rates and liquid retirement savings among Black and Hispanic families and the inability of federal government programs to help low-income families accumulate assets. The long-term trajectory for these wealth disparities may show an even wider divide. A report produced by the former Corporation for Enterprise Development (now Prosperity Now) and the Institute for Policy Studies forecasts the racial/ethnic wealth gap to double by the year 2043 (Asante-Muhammed et al. 2016).

Chronic economic inequality can inhibit the ability of certain segments of the population from realizing their potential and more fully contributing to the economy.[23] In this sense, income inequality and wealth disparity can short-change the economy in many respects. Greater economic equity enables more people to participate and add value in ways that help the economy perform better overall. The tangible economic and fiscal benefits that can be realized by closing the earnings and wealth gaps between whites and racial/ethnic minorities include increases in economic output, consumer spending, and government revenues along with decreases in outlays for social services and health care.[24]

Income inequality and economic disparity are complex and intractable with multiple dimensions. So then, what role can economic development efforts play in counteracting the trends thereby promoting a more equitable prosperity?[25] The International Economic Development Council addresses this question explicitly in its Playbook for Equitable Economic Development that underscores the importance of acknowledging the historical roots and systemic nature of racial inequities to devise targeted solutions (Clogston and Kock 2022). Amy Liu of the Brookings Institution argues that remaking economic development is necessary to make meaningful progress on this front (Liu 2016). The idea is to fundamentally redefine economic development such that inclusion and shared prosperity become core goals.

Equity-centered economic development can be facilitated by employing more of what Sarah Treuhaft and Victor Rubin (2013, 1) refer to as **economic inclusion:** "strategies that explicitly connect vulnerable groups to new jobs and economic activity and ensure that new jobs offer family-supporting wages, benefits, and growth opportunities." Economic inclusion strategies and tools being used in various places around the US are shown in box 1 below.

BOX 1

Economic Inclusion Strategies

Target hiring

- Minority and women hiring policies
- Local hiring policies or ordinances
- Community benefits agreements (CBAs)
- Community workforce agreements (CWAs)

Minority business development

- Procurement and contracting
- Technical assistance and support for minority entrepreneurs

Improving job quality

- Wage standards
- Employment benefits

Workforce development

- Career technical education
- Job training and placement
- Career ladders

Source: Adapted from Sarah Treuhaft and Victor Rubin, *Economic Inclusion: Advancing an Equity-Driven Growth Model*, The Big Ideas for Jobs Creation Project (Berkeley, CA: Institute for Research on Labor and Employment at the University of California, IURD, and Annie E. Casey Foundation, 2013).

Treuhaft and Rubin (2013) recommend four ways to promote inclusive job creation and embed economic inclusion into economic development efforts: (1) grow high-opportunity industry sectors, (2) leverage the economic power of anchor institutions, (3) start and expand minority-owned businesses, and (4) maximize job creation through public investments.

Some research studies have shown that supports targeting working-class and middle-wage industries have broad positive effects: an economic analysis by Patrick and Stephens (2020), incentivizing working-class and middle-wage industries appeared to be associated with higher employment for those industries as well as other industries. Conversely, they found no evidence that reducing incentives (or raising taxes) on creative-class (defined as jobs focused on problem-solving and cognitive skills, from computers to science, art, and entertainment) and high-wage industries had negative employment effects for any industry type; doing so actually increased employment in working-class and middle-wage industries. Results suggested that the recent trends towards targeting creative-class and high-wage industries with economic development incentives may have helped hasten the decline of working-class and middle-wage industries, with little corresponding benefit for the industries they are designed to help (perhaps due to other foregone public investments associated with the cost of incentives).

Summary

We do not describe the workforce and economic development policies discussed in this section as traditional to imply they are static or unchanging. Traditional for these policies means these are the most common and longest-standing approaches used by local, state, and federal policymakers to promote workforce and economic development. There are limitations inherent in these models that may make some of them ill-suited to respond to the contemporary economic climate, but they also reflect a diverse range of policy and program types that, when thoughtfully designed and targeted, still can show promise for promoting a more inclusive economy.

Innovations

In this section, we examine the current space of policy and program innovation. Beginning with an overview of themes from current policy-centered initiatives, we then walk through how these innovations—coupled with the themes previously discussed—have implications for reframing how we think of workforce and economic development. This section also reviews the current research on these newer approaches, identifying findings, emergent best practices, and research gaps and opportunities.

It is not surprising that already-existing workforce and economic development models may not be able to fully address the ramifications of massive and still-developing changes to work arrangements in recent decades. To this end, some have called for rethinking workforce and economic development approaches more thoroughly, such as, for example, shifting to *workplace* development: efforts to improve employment and productivity within the workplace itself and designed to more effectively align with the needs and goals of workers (e.g., Liu, Doussard, and Lowe 2023).

Current Trends and New Themes in Innovations

The innovations discussed in this section are not necessarily new *per se*, but we discuss them here because they involve a more substantive rethinking of how to co-support workforce and economic development. Put another way, present-day discussions about the traditional approaches focus more on allocation of resources, whereas the ones discussed in this section are more targeted to actual *mechanisms* themselves. We address these innovations by sorting them into key themes:

- **Coordination**—aligning public and private entities
- **Good Jobs**—supporting creation of high-quality jobs (defined on a number of principles)
- **Pipelines**—creating pathways to link people to job opportunities
- **Decoupling workforce interventions from employers**—social and welfare policies that support workers outside of benefits offered through employers

- **Sectoral innovations and pipelines**—initiatives based around particular employment sectors (which can involve a range of initiative types).

This is not an exhaustive list of innovations. But we try to account for the diversity of thinking in this space and lay out areas of opportunity for future research and thinking about policy.

Coordination to Align Public and Private Investments

A growing area of innovation involves **efforts designed to better align public and private entities invested in workforce development and economic development**. As the various examples shown in this report illustrate, there are many workforce and economic development policies and programs across the US, supported by a range of governments, nonprofits, foundations, and employers, that may or may not be in communication with one another. In response, there has been an increasing push to figure out how to approach collaboration and coordination more consciously. One approach is focused on the *form* of local collaboration: in a study conducted by the Federal Reserve Bank of Cleveland, a best practice outlined from interviews, surveys, and listening sessions was to create better alignment was having a lead organization responsible to connect and piece together the many components of the workforce and economic development systems. This lead organization would be responsible for more comprehensive, long-term strategies and goals, which often includes improving regional competitiveness supported by both the workforce and economic development systems.

Coordination—or lack thereof— has been a common theme. For instance, in a commentary for inclusionary economic development, Erickcek (2023), called out the lack of coordination between local economic development and workforce development organizations. The commentary also calls for a trusted third party to create indicators of internal employment conditions that show the current employment turnover and retention rates for area firms, so that an area's economic development effort is focused on creating employment conditions that support the advancement of low-wage workers. The trusted third-party would:

- develop a representative sample of a region firms that hire entry-level, low-wage workers,

- obtain the commitment of the firm's CEO or owner, develop a data-gathering procedure—survey or regularly scheduled interviews,
- train the firm's HR department to complete a consistent data-entry form/process, and
- generate a quarterly report for the community.

One example of an initiative working on these issues is the North Carolina Biotechnology Center, which has combined its expertise in industrial recruitment and entrepreneurship to better anchor and support high-growth entrepreneurial firms and innovative technologies that receive early rounds of government support. In the process, Biotech Center staff have repurposed established economic development tools to ensure that upfront technology investments by state government agencies continue to benefit local entrepreneurs, their employees, investors, and state residents alike. This case underscores the importance of creating spaces for shared dialog and deliberation among a diverse group of economic development practitioners.

Also and related, this case speaks to the importance of creating conditions that move strategy development well beyond the early phases of experimentation. In this respect, the Biotech Center case demonstrates that it is not enough to simply encourage practitioners to cooperate and interact. There must also be a structure in place that sustains policy development by encouraging practitioners to critically and honestly assess strategy alternatives and introduce incremental changes to enhance implementation. This gets to a third and final transferable lesson. The Biotech Center does not stop when its actions generate gains for private sector businesses. Rather, it pushes benefits on multiple fronts and as part of its broader public mission to provide long-term economic and societal benefits to North Carolina residents.

Others have noted how coordination and cross-sector collaboration can also advance equity goals. For instance, economic developers may work with organizations and people of color to identify and reach business-related goals and help break down barriers of trust and language. The International Economic Development Council's *Playbook for Equitable Economic Development* notes both the historical legacy of this mistrust, such as the disruptions caused by traditional local redevelopment programs, and a reframing from wealth accumulation to wealth building and sharing (Clogston and Kock 2022).

The Focus on Good Jobs: What Makes Them Good

Another key focal point has been job quality. For instance, a policy proposal from the Hamilton Project at the Brookings Institution highlights a need for prevailing local economic development practices that retain and attract firms and operate to further coordinate with workforce training programs, with a clear focus on *good jobs*. "An explicit good-jobs focus, along with better coordination of these different streams of work, would ensure both that training practices are appropriate and that firms receiving public assistance create the right kind of jobs for those who need them the most"(Rodrik 2022, 19).

It is tempting to think that a good job is the best job a person can get at any point in time. This may be feasible when there are clear pathways for advancement and upward mobility from that job to the next best one for which a person qualifies. Given that this is not always the case, it is important to specify what objectively constitutes a good job irrespective of a person's circumstances.)Although the term *good job* can at first seem overly general, there have been efforts to clearly demarcate the characteristics of what a good job entails. The US Departments of Commerce and Labor have laid out eight principles for good jobs:

1. **Recruitment and hiring**—equal treatment and selection criteria, minimizing unnecessary requirements
2. **Benefits**—benefits that promote economic stability and mobility
3. **Diversity, equity, inclusion, and accessibility (DEIA)** —removal of systematic barriers faced by people from underserved communities
4. **Empowerment and representation**—the ability to form and join unions and can contribute to decisions made about their workplace and how they do the work they do
5. **Job security and working conditions**—job security, predictability, and being free from harassment, discrimination, and retaliation
6. **Organizational culture**—all workers are valued and treated with respect
7. **Pay**—stable, fair, and predictable living wage

8. **Skills and career advancement**—access to opportunities to progress professionally[26]

The Department of Labor's Good Jobs Initiative[27] is currently tracking grants programs that incorporate elements of the good job principles.[28]

There have been efforts in this space to identify a clear research agenda. One Urban Institute brief laid out several such avenues for research, including a call for more studies examining the effects of job quality on economic well-being, the relationship between equity and job quality, and worker voice and control; recommendations for better knowledge infrastructure (such as more longitudinal or proprietary data); work to *unbundle* job quality impacts to understand distinct effects; and a more concerted effort to study employers that seem to incorporate job quality into their employment profiles (Loprest, Katz, and Shakesprere 2021).

Worker Voice: Cooperatives

We place initiatives aimed at promoting worker voice within the good jobs section because a central goal of these efforts is to promote more inclusive working conditions and, as previously discussed, two principles laid out in some good jobs formulations include empowerment and representation and organizational culture.

Although not new, worker cooperatives are another area of increased interest in the field (and in research). These are member-owned democratically organized enterprises positioned to address market failures between private enterprise and government. Policies in this space could include altering regulations to make them more competitive, increase their number, increase the scope and scale of cooperatives, and help them better target underserved communities (Theodos, Edmonds, and Scally 2020). Research on cooperatives is somewhat limited, although studies on cooperatives in Canada show they have higher survival rates than non-cooperative enterprises, particularly when able to access technical support and capital (Theodos, Edmonds, and Scally 2020).

There are a range of way that policies affect the environment within which employee-owned business operate. While federal tax policy is one obvious level, state and local policy efforts can matter, too. In this sense, a review of Employee Ownership NYC[29] illustrates some of these pathways: broadening the conception of job quality to include worker control and training supports, expanding business service supports and contracting and procurement opportunities to include cooperatives, supporting ownership transitions, expanding access to capital, and enacting land use policies supportive of cooperative sustainability (such as community land trusts) (Theodos, Shakesprere, and Hariharan 2022).

Community Benefits Agreements

Community benefits agreements (CBAs) are another tool that can be used to promote good jobs. These agreements, which are legally binding contracts between community-based organization coalitions and developers, guide local development projects. They can include commitments for local hiring and wage setting, and may include requirements for land and building use, and funding for local services and programming.[30] The CBA movement started in California in the late 1990s, with the earliest ones in Los Angeles (the Hollywood and Highland Center CBA in 1998 and Staples Center CBA in 2001 in particular) (Salkin and Lavine 2008).

There is evidence, mostly in the form of case studies, that effectively structured CBAs benefit communities and their residents, while ineffective ones may simply be window dressing to obtain approval for development projects without producing actual benefits to communities. Factors for evaluating strong versus weak CBAs in many ways mirror those for defining good jobs (scaled up from the person-level to that of the community); one overview lists representativeness, transparency and inclusivity, community benefits, and accountability (Partnership for Working Families 2016). Enforcement in particular is a key feature, and one that critiques of CBA effectiveness have pointed out as being a stumbling block.[31]

Another, related, approach, has been the use of Community Equity Endowments, designed to provide community members more direct financial benefits from development projects. These models transfer some of the value accrued from a development into a community endowment that in turn provides support to residents (Theodos, Edmonds, and Tangherlini 2021). While there are a number of extant Community Equity Endowments, they are generally still new and therefore longer-term effects are still unknown; reviews of cases have identified promising features, such as low purchase prices, easy ability to exit, ongoing options for buy-in, robust community engagement, profitability, and financial security (Theodos and Edmonds 2020).

Pipelines: Apprenticeship Models and Small Business Support Ecosystems

This section discusses policies and programs designed to build pipelines: programs that target the training and professional development of people. While they can also be thought of as sector-based interventions, we discuss them here because of their focus on supporting career pathways.

Apprenticeship Models and Mentorship

Although apprenticeship models are by no means, new, research studies have demonstrated their potential value for improving worker outcomes. The American Apprenticeship Initiative (AAI) is one example: an evaluation of the program found that AAI apprentice earnings grew by 49 percent on average between the year before starting the apprenticeship and the year after expected completion. Most AAI pre-apprentices completed their programs and experienced substantial earnings growth. Most AAI apprentices and pre-apprentices were from an underrepresented population. Most (89 percent) had been working immediately prior to their apprenticeship; most apprentices (57 percent) were incumbent workers—that is, they worked for the same employer that operated the apprenticeship program. Across all AAI apprentices, 79 percent reported the two most important factors in their decision making were training for a career and gaining skills and credentials valued by employers.[32]

Along with apprenticeships, reskilling may be integral to help economically vulnerable workers keep pace with the transformations in the labor market. This involves direct local economic development towards industries that accelerate growth but also bring good jobs. Recommendations from a 2019 Brookings Institution review (Escobari, Seyal, and Meany 2019) provide a map for data-driven reskilling involving:

1. Direct economic development towards growth industries with good jobs.

2. Examine city-level occupational composition to identify prognosis for job areas and to understand local workforce gaps.

3. Use job-to-job transition data to inform reskilling investments and identify mobility pathways.

4. Approach reskilling with a user design focus aimed at building self-efficacy, assisting with career choice navigation, working through barriers, providing useful content and training, and providing sustained support.

5. Work with empowers to create good jobs that provide benefits and allow for mobility.

6. Build talent and other capabilities for competing for industries, rather than focus on tax incentives.

Finally, mentorship initiatives are specifically designed in the context of apprenticeship programs, particularly those involving young people. The mentoring role goes beyond imparting of skills and towards building a relationship between a mentor and mentee around professional development and navigating a career. It is a particularly valuable component of equity-informed initiatives, when a mentee or apprentice may come from a community underrepresented in a given sector (Hamilton, Brown, and Arabandi 2022). However, mentorship programs often fail to do this, and as such may be limited in their effectiveness in promoting equitable opportunities.[33] There has been some research on mentorship program implementation specifically, with one study finding mandatory programs may be more effective than voluntary ones by including people who may benefit the most (Sandvik et al. 2023).

Small Business Supports

As discussed above, the limitations of many assessments of small business programs is that it is difficult to tease out the effects of programs themselves (such as SBA lending programs) from location conditions and employer characteristics. In this space has emerged an increasing interest in understanding how small business support ecosystems work at the local level. These ecosystems vary widely: particularly regarding training and technical assistance providers and mission-based lenders (such as community development financial institutions) able to bridge capital and knowledge gaps. Efforts to link small businesses to other supports, such as to personal finance supports, face challenges in terms of outreach and visibility and appropriately linking small business to capital (Holzer et al. 2011). Policy initiatives in this space involve tradeoffs: efforts to sustain and grow employment (such as through preferential contracting; as well as the Paycheck Protection Program) may be at odds with wealth creation and even small business survival if growth is not sustainable.[34]

The Kauffman Foundation has identified diversity as being a key ecosystem lever for bringing about the kind of prosperity that entrepreneurship has the potential to achieve.[35] This, inevitably, requires a special focus on minority and women entrepreneurs, and the challenges they face in starting and growing a business enterprise. Minority- and women-owned firms are growing in numbers, and they account for an expanding share of firms, overall. But relatively few minority- and women-owned businesses achieve high levels of growth in terms of sales, revenue, and employment. Moreover, they are highly underrepresented in the growing technology sectors of the economy (Morgan 2021).

As such, there is an emergence of creative ways to ensure that entrepreneurial ecosystems promote greater inclusivity and produce a more widely shared prosperity by focusing more on minorities and women and reducing the barriers to access and entry to entrepreneurship. The idea is to build pipelines from those underrepresented groups so that minority- and women-owned businesses can be better positioned to achieve higher levels of growth more rapidly. This will involve focusing on financial capital, technical assistance, and other efforts such as corporate supplier development, government contracting and purchasing, and expanding access to the science, technology, engineering, and mathematics and technology-related sectors of the economy for minorities and women.

Finally, apprenticeship, mentoring, and small business support programs also are often targeted to increase the representation of particular groups in given fields. This means they have the potential to link economic development to workforce development: helping employers find employees and helping people identify career pathways that can lead from entry-level to middle-skill and higher quality jobs. A number of fields have well-established pipeline initiatives, including science and technology, health care, and education (e.g. Katz, Barbosa-Leiker, and Benavides-Valleo 2016; Loprest, Briggs, and Mikelson 2017).

Decoupling Workforce Interventions from Employers

There is some thinking that facilitating longer-term economic security for people, especially low-wage workers, may involve expanded policy supports and investments outside of the workplace. Employers, obviously, have a crucial role to play in terms of improving job quality, wage, benefits, training, and more, but some argue that government can and perhaps should do more, outside employer settings, to enable individuals to more fully participate in the workforce. The idea is that when people have a basic level of economic security, they are better able to more fully participate and engage in the workforce and labor market.

Social and welfare policies tend to be discussed separately from workforce and economic development ones. Income supports, for example while often not treated as workforce polices, provide economic resources to lower-income families (Carlson, Wimer, and Haskins 2022). Of course, there are obvious points of intersection: welfare policy debates have often revolved around employment and economic self-sufficiency: the transformation of welfare from Aid to Families with Dependent Children (AFDC) to Temporary Assistance for Needy Families (TANF), which provided time limited assistance and a more explicit focus on employment, with training supports and work activity requirements. More recently, basic or guaranteed income programs have been increasingly implemented and studied.[36]

There is an enormous literature on the effects of these policies which we do not cover here. Instead, we focus on how particular social and welfare policies are increasingly being thought of as opportunities to explicitly decouple workforce supports from employers by developing social and welfare policies and supports outside of the place of employment itself. The benefits of this sort of decoupling are that it both provides low-wage workers more stability in the face of jobs with limited security and it provides a platform for workers to look for and move to higher-paying, and more stable jobs. A range of policies could fit into this space, but here we consider workforce development, universal education and prekindergaten, social support policies, and living wage policies.

Sectoral Innovations: Focus on Specific Industries

Over the past couple decades, many US states and regions have adopted sector-based strategies that are designed to bring government, education, job training, and economic development stakeholders together to meet the workforce needs of key industries. In these initiatives, "the training and associated work experience are clearly targeted to specific economic sectors that provide well-paid jobs," especially "good jobs for those who lack a four-year degree in particular occupations or sectors of the economy"(Holzer et al. 2011, 155–56). Sector strategies explicitly attempt to improve the skills, employment prospects, and earnings of job seekers and workers. They can be particularly useful when industries have job openings that are difficult to fill and offer entry-level positions that may be suitable for workers that face certain barriers that make them hard to employ (Morgan 2012, 4).

Central to sectoral initiatives are workforce intermediary organizations that "adopt a 'dual-customer' approach, serving both job seekers and employers in order to enhance employment prospects through organizational or industry expansion"(Lowe 2021, 12). Successful intermediary organizations come in many forms ranging from community-based organizations to labor unions to educational providers. Regardless of their form, successful intermediaries use their expertise and programming—programming that often encompasses job readiness training, occupational skills training, supportive services, job search and placement assistance, and post-placement supports— to "strengthen their influence over employers and to construct an external scaffolding from which to build and reinforce skills development opportunities and supports within firms" (Lowe 2021, 12).

The popularity of sectoral initiatives stems from evidence that suggests they are more effective than nonfocused training programs that sought to enrich the basic skills or general employability of unemployed or underemployed individuals. Famously, a rigorous evaluation of an early sectoral training initiative, Project QUEST in San Antonio, Texas, found that program completers experienced meaningful improvements in employment and wages. Project QUEST also appeared to have meaningfully altered the structure of local relationships between educational institutions and employers due in large part to the prominent role afforded to employers in program design (Lautsch and Osterman 1998). The growing evidence base has led to expansion of efforts; for example, by one estimate, at least 1,000 workforce intermediary organizations currently are active in the United States, with a sizable number of those organizations focused on supporting the manufacturing sector (Lowe 2021).

A recent review of the evidence base for these programs (Ratledge, Miller, and Schaberg 2023) has found they improve credential attainment and earnings, and identified number of best practices, including:

- focusing on good jobs that are attainable with provided credentials and training;
- building on local ecosystems to identify local growth industries; coupled with ongoing monitoring and assessment to keep ties with employers open and identify opportunities/challenges;
- identifying other supports that can help people stay with programs (such as transportation, educational services, referrals to support services);
- ensuring equitable access and addressing occupational segregation; and
- ongoing job placement.

Moving forward, sectoral programs are likely to remain popular due to their potential to influence both the supply and demand sides of local labor markets. Additionally, while sectoral programs often are found in the manufacturing sector, they hold potential applicability to other growing sectors, such as health care, and newly emerging sectors like clean energy and the larger green economy.

Summary

The innovations discussed in this section stand out for a couple of reasons. First, they are conceptually aligned in many ways: with voice (both worker and community, good jobs, and sectoral targeting showing up across a number of initiatives). For example, the listed components of good jobs align with the posited goals of many sectoral initiatives and community benefits agreements. Second, they indicate an increasing alignment in interests and efforts across both workforce development and economic development fields: these initiatives are sharing common themes and languages, and promoting policies that coordinate both workforce and economic development, with greater inclusion and equity for lower-wage workers, particularly in communities of color, as a key goal.

As new innovations, it is not surprising that the evidence base for their effectiveness and effects tends to be limited. In some cases (such as policies that decouple workforce from employment or social and welfare policies), there is a robust research agenda, although questions posed by that research do not necessarily clearly link back to employment and workforce outcomes. In other cases, there may be quite a bit of research on a general model, but not on more recent policy innovations affecting how it works. Worker cooperatives are one such area: there is a large and long-standing literature on these models, particularly in Europe, but there is less on contemporary US-centric policy levers in this space. In other cases, particularly regarding sectoral initiatives, the evidence base supporting their effectiveness is more robust.

For many of these policies, however, there is a growing research literature but one that is of limited rigor: heavier on examples and case studies with limited aims and less likely to include more rigorous evaluation practices such as random controlled trials. The nature of the term innovation highlights another feature of much of the grey literature available on them, which is written by proponents of these policy ideas interested in spreading them more widely as potentially promising interventions. The value in these studies is less their value to the research evidence *per se* and more in how they identify the mechanisms and intended values and impacts of these policies. They are useful for identifying future pathways for study, even when they are not claiming to be dispassionate observations.

These takeaways present opportunities for building future research knowledge. First, it is important to identify opportunities to build connections across policy and program research agendas to ensure that questions focused on workforce outcomes are included in those agendas. Second, workforce and employment research needs to focus on outcomes and impact from a human-centered perspective: paying attention to the job and person level rather than just the employer or company level (Loprest, Katz, and Shakesprere 2021). This is particularly important for understanding how policies and programs that serve to decouple workforce interventions from employers fit into this broader space.

Policy, Practice, and Research in Workforce and Economic Development

In this section, we lay out the ecosystems of institutional actors relevant to workforce and economic development, how they relate to each other, and opportunities for more robust collaborative approaches across existing subfields. While there is growing interest in the intersections between workforce and economic development, at the state and local levels in particular, policymakers and practitioners across the two fields continue to be relatively siloed from one another. The goal of this section is to bridge the intersections of research, policymaking, and practice building to identify avenues for collaboration going forward. We start by reviewing key players at the federal, state, and local levels, the role of private business, as well as direct service and wraparound support providers. We then look at what policy networks and research initiatives exist in this field (WorkRise is one).

There are multiple ways to think about ecosystems, but most broadly we refer to the existence of and relationships between institutions that support workforce and economic development conditions in a given space. Institutions do not work in isolation, of course, but this is a space where there traditionally has been limited coordination. Lowe and Feldman (2018) refer to this as a strategy mix, whereby areas of practice are blended and interdependent in ways that affect regional policy goals and objectives. This can take place on a number of fronts—the ecosystem terminology has been picked up in the small business support space[37] with an equity frame in particular.[38] Using an ecosystem lens helps frame the relative strengths and challenges of ecosystems in certain places and to identify who may be missing from useful conversations. Thinking of workforce and economic development as part of the *same* ecosystem helps to further highlight connections or the lack thereof between the fields.

This thinking also helps us incorporate the extent to which equity considerations are part of these ecosystems. The review above notes the increasing use of equity as a frame for policymaking. For instance, the Advancing Workforce Equity project (a collaboration between the National Equity Atlas, Lightcast, and the National Fund for Workforce

Solutions, among others) defines "workforce equity as a labor market in which racial income gaps are eliminated, all jobs are good jobs, and everyone who wants to work has access to family-supporting employment."[39] However, while some initiatives and research agendas are built fully around equity, and others incorporate workforce equity into their research questions and policy recommendations, in still others the incorporation of equity may be less developed. In other words, the incorporation of equity is *lumpy* and it varies by field and by place. What follows is not an exhaustive field scan but a way to highlight pertinent full-scale initiatives and actors working on workforce and economic development and equity and how they frame their agendas.

Federal Stakeholders

Federal government actors are obviously key to how workforce and economic development functions in the US. Even when not plugged into policy creation or innovation development, federal policies structure how workforce and economic development actually take place in this country. As noted above, there are initiatives that directly plug into this space. The Department of Labor's Good Jobs Initiative is one such example that provides a framework for common definitions and understanding about how to track and assess these initiatives. The Department of Health and Human Services' Community Economic Development (CED) program within Office of Community Services (OCS) is another example, as "the only federal program that focuses primarily on creating jobs for individuals with low income in communities with high unemployment and poverty rates."[40] Also noteworthy is the Good Jobs Challenge, from the US Economic Development Administration. The Challenge has supported 32 training partnerships and systems across the US, and with its focus on equity and workforce systems, illustrates how federal economic development actors are getting into the workforce development space.[41] Other efforts, such as American Job Centers, have been subjected to institutional analyses to better understand how they work, but there has been less research on the specific impact stemming from the model (Holcomb et al. 2018).

Finally, of course there are federal social and economic support programs with profound implications for workforce and community development: TANF, as noted above, is one, but so too are more targeted interventions that lie at the intersection of service delivery and workforce development, such as HUD's Family Self-Sufficiency program, designed to promote employment and economic self-sufficiency.

Other Ecosystem Partners and Stakeholders

There is also increasing focus on elaborating just what local ecosystems look like. One example is the Urban Institute's Local Resource Systems Guide,[42] which provides and overview of definitions, functions, users, organizations, and activities that make up these systems. Beyond state and local governments and businesses, a host of other entities are involved in local economic development and workforce initiatives. Funders and foundations may serve as local convenors and thought partners,[43] and policy advocacy organizations and trade associations (the International Economic Development Council, for example) have important voices relevant to both workforce and economic development initiatives.

Research

There are a range of organizations that operate research and learning initiatives focused on workforce and economic development. Research is valuable in this space because it helps to understand the effects and impact of policies and programs on both workforce and local economies. Some organizations may have specific workforce and economic development initiatives underway; others may lack a clearly defined initiative but nonetheless have a body of research focused on topics of interest in this space. WorkRise is one example of this, with its focus on cross-sectoral collaboration to examine workforce and labor market innovations, alongside its focus on collaboration and convening. Other institutions and initiatives include the following:

- Brookings Institution's Workforce of the Future Initiative focuses on local economic growth strategies creating high-wage jobs in growing sectors.
- American Institutes for Research (AIR) Promoting Resilience, Opportunity, and Mobility in Support of Equity (PROMISE) initiative examines workforce training, sectoral programs, and equity.

- Upjohn Institute's Promise: Investing in Community focuses on the intersection of place-based education initiatives and economic development policies.
- MDRC has produced a range of research focused on sector-based policies based on its experience in program evaluation and policy assessment.
- MDC has been working deeply on equity and economic mobility issues in the southern US for more than 50 years. MDC's work is driven by data and research and explicitly emphasizes systems change.
- The National Equity Atlas and Advancing Workforce Equity initiatives supported by PolicyLink, the USC Equity Research Institute, and National Fund for Workforce Solutions.
- Federal Reserve Banks, particularly Atlanta's Center for Workforce and Economic Opportunity. Another example of this work was the *Investing in America's Workforce* collaborative effort among the Federal Reserve System Banks, the Heldrich Center at Rutgers University, the Marshall Center of at the University of Texas, and the Upjohn Institute.[44]
- Urban's Community and Economic Development Hub ties together research examining how place-based initiatives can spur economic growth while promoting inclusive community development without leading to displacement. Projects include studies of federal economic development programs, the status of inclusive recovery initiatives, research on community development financing, and the roles of community development financial institutions s in serving communities.
- The Kaufmann Foundation provides thought leadership on entrepreneurial ecosystem building, and the W. K. Kellogg Foundation's grantmaking and investments prioritize equitable development, economic mobility, support for working families, small and minority business development, and systems change.

Undeniably, there are a range of active and allied research initiatives examining issues directly relevant to those discussed in this report. This presents an opportunity to push these ongoing initiatives to more directly examine the ways in which workforce and economic development intersect with one another.

Conclusions and Next Steps

The fields of workforce and economic development encompass a wide range of policies, programs, and institutional players. While these fields tend to work in separate silos, there has been an increasing appetite in both fields for identifying connections between the two to devise policies that more effectively foster equitable outcomes, particularly for low-wage workers.

This report has framed its discussion of the research evidence in terms of traditional and innovative solutions. Although these definitions cannot be treated too rigidly, there are themes that emerge from this approach. We know more about the effects of **traditional** levers simply because they have been around longer: these represent in many ways the *status quo* of both workforce and economic development policies, and a sizable research base exists. That said, the evidence for their effectiveness is definitely mixed. The value of business incentives in particular has long been questioned but inter-state and inter-jurisdictional competition remains in many ways standard practice. Other place-based interventions, particularly federally supported ones, have potential value in guiding resources to communities of interest and promoting more equitable practices, but the implementation of these has been uneven and sporadic.

The **innovative** levers discussed in this report are clearly designed to build more equitable workforce and economic development systems. Efforts to encourage worker voice, define and promote good job creation, link development to the needs of communities affected, and build stronger pipelines can all be framed as attempts to create a better aligned economic-workforce development system. While promising and exciting, their relative newness means that not enough time has passed to meaningfully study their effectiveness. We do know that implementation is still crucial: to take one example, the effects of community benefits agreements and other related efforts depend heavily on design and implementation. When it comes to innovative levers, research needs to move beyond case studies to address other fundamental questions about model design and effectiveness.

However, there are still significant gaps in our understanding of how these interventions work and what their outcomes and impacts may be. Although these innovations may respond to the shortcomings of traditional levers, they may have shortcomings and challenges of their own. For instance, place-based initiatives need to thread the needle between limited impact and engendering change significant enough that it sidelines and displaces people intended to be reached in the first place (Theodos 2021). Given the long and fraught relationship between economic development policies (like urban renewal), inclusive place-based policies need to acknowledge and account for local distrust at the neighborhood level.

Both policy sets highlight why greater communication between the two fields is crucial to the long-term success of each. Some of this work will require rethinking how organizations track outcomes and use metrics: going beyond basic job creation estimates to more detailed accounting for the effect these policies are actually having on lower-income workers in the short and longer terms. If it is to be useful in supporting workers, economic development practice needs to better incorporate an equity lens in practice and assessment. And workforce policies need to be informed and actively linked to economic development policies to build connections between workers and jobs.

This also highlights the importance of focusing on the effects of these policies on low-wage workers. For example, while sectoral innovations show promise they need to account for the pathways that exist— or do not exist— for low-wage workers to connect to and grow within a given sector. More generally, it means measuring how low-wage workers in a community are actually affected by these policies and moving beyond broad brush indicators that obscure whether benefits are accruing to existing workers or new ones coming into a community. This sort of evaluation work is complex and requires robust data and metrics, but examples, such as the Harvard Workforce Almanac,[45] show how it can be done.

This leaves us with a set of open research themes:

- **Implementation and policy/program diffusion.** Particularly crucial for place-based initiatives, there is much to be learned about the challenges in transferring program models from one location to another. Fidelity to a model that has been shown to be effective may sound ideal, but fidelity may not reflect the different needs and ecosystems in different places. This dynamic is particularly important for policies with a sectoral focus and for place-based initiatives. More research to identify what features of local workforce and economic development ecosystems are essential for successful policy implementation will be particularly valuable: some ecosystems seem to *work* better than others, so identifying keystones that hold everything together in one place may help identify needs and policy pathways elsewhere.

- **Worker voice and empowerment.** Too often, workers are seen to be the passive beneficiaries of workforce and economic development efforts rather than active stakeholders and partners. Engaging workers in the design and operation of programs by affording them a voice can show what challenges exist and what resources are needed to better succeed.

- **Performance measurement.** To better benefit low-wage worker outcomes, from increasing wages to promoting upward mobility over time, economic development and workforce development practitioners and their investments will need to be measured on how well they serve low-wage workers, across a variety of metrics, including job quality, mobility, pay, demographic diversity, among other things. Research and practical learning are needed to identify the most effective ways to align performance metrics across systems and to incorporate an explicit focus on outcomes for low-wage workers. Also valuable would be a fuller accounting of the ways in which existing metrics may actually create incentive structures for workforce and economic development leaders that are misaligned with the goals of supporting low-wage workers.

- **Targeting support.** Federal place-based programs have often been critiqued for suboptimal targeting. These programs require ongoing monitoring and evaluation to ensure that resources are going into locations that actually need them— and to ensure that the resources provided are actually doing their intended work. This has ramifications for program and policy design. Existing research has shown that policies need to be responsive to their ongoing and changing effects on the ground to remain effective. This is an area where more rapid policy iterations (such as the plan-do-study-act cycle used in improvement science) would be valuable in ensuring federal support remains productive and supportive of more equitable local outcomes.

- **Identifying who benefits.** While the experience with traditional business incentives provides evidence that untargeted development efforts have limited value, particularly for low-wage workers, even more innovative policies such as community benefits agreements and sectoral programs need to be assessed in how well they support existing communities and workers versus drawing in new workers while sidelining existing ones.

- **Workforce and economic engagement.** This involves cultivating better engagement between the workforce and economic development fields. The New Growth Innovation Network's (NGIN) work is an example of getting people from different fields to speak to one another. This cross-pollination is useful for identifying areas of alignment and challenges in in doing so. It is as much about practice as research, but these discussions are particularly valuable in how they can inform future research questions and policy and program design studies.
- **Career pathways.** This involves looking beyond short-term low-wage job creation to longer-term career development. There is extensive research in this space, but it requires a relatively long time horizon and concerted follow through to determine what roadblocks and opportunities exist for low-wage workers in given communities.

What this overview makes clear is that a focus on low-wage workers needs to be central to efforts to align workforce and economic development. Economic development programs that exclude and sideline these workers have questionable value, and workforce development programs that do not identify the actual needs, challenges, and goals of these workers are not going to be effective in building a more equitable and productive workforce. With the increased appetite for collaboration between these fields, there is the promise that deeper engagement between policymakers, practitioners, and researchers can help identify how to better align outcomes, support low-wage workers, and build a more equitable economy.

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Errata

This report was revised on June 18, 2024, to fix style and formatting issues and make minor clarifications to the text. In addition, we simplified the box on page 24 to ensure it was more directly comparable to the source, updated a citation in endnote 11, and added a reference listing on pages 54 and 55.

Statement of Independence

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