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## Economic Development Recommendations That Focus on the "Working Poor": Lessons from Waco

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## Economic Development Recommendations That Focus on the “Working Poor”: Lessons from Waco

**T**he Upjohn Institute considers many requests for proposals that solicit help in designing economic development strategies for cities and regions across the country. Most are standard. They request a SWOT analysis—strengths, weaknesses, opportunities, and threats—the identification of possible economic development targets; economic indicators; and the development of an action plan. In summer 2013, we felt compelled to respond to a particular request for proposal because its introduction suggested the following prioritization:

*Waco has identified generational poverty and a high level of “working poor” as defining characteristics of its economy and has prioritized understanding and addressing these conditions in order to enhance the overall resilience and economic success of the community and the region.*

All cities face the issues of long-term poverty and the working poor, but rarely do they put these issues front and center in their economic development goals. Most, instead, hope that some of the benefits of a good economic development strategy will trickle down to

the economically disadvantaged. Waco’s request was unique with heightened purpose, and the city accepted our proposal.

Last summer we began conducting a thorough investigation into the workforce and economic development entities in Waco. We analyzed the extant labor market and economic data that are available, we interviewed nearly 200 individuals, and we developed a set of recommendations for the city.

In this article, we summarize our recommendations to Waco, and we also share what we learned that may be applicable to other communities. Waco has most of the necessary ingredients to support substantial growth. Few communities can boast of having two two-year community/technical colleges and a major university. Its location on the I-35 NAFTA corridor offers an easy drive to four of the fastest growing metropolitan areas in the country—Dallas, Houston, San Antonio, and Austin— and its reach into Texas’s manufacturing heartland as well as into Mexico provides it with an excellent logistical distribution and supply location. Additionally, the area offers numerous site-ready industrial and commercial properties.

Waco benefits from its partnerships with Baylor University, local foundations, and nonprofit organizations that have generated numerous studies and undertaken efforts to address the issue of poverty. Moreover, the region's business community has played an active role in recently establishing the Greater Waco Advanced Manufacturing Academy (GWAMA), which offers technical training to the city's high school students for eventual positions in advanced manufacturing.

Nevertheless, the city's economic performance has been lackluster, and because many of Waco's residents lack skills and have low educational attainment, employment opportunities are limited. Economic growth in the Waco metropolitan statistical area (MSA) has been sluggish because of the types of industries it houses and its flat competitive performance. The lack of a strong demand for workers increases the difficulties facing economically disadvantaged residents who have been unable to establish strong work histories. Many graduates of the area's university and two-year colleges seek employment elsewhere because of better opportunities and wages.

In the city of Waco, nearly 30 percent of its residents who are 16 years or older and not enrolled in school are living below the federal poverty level, and more than 50 percent are living below 200 percent of the poverty level, \$36,996 for a family of three. Of the individuals struggling in poverty,

- nearly 40 percent are under 35 years of age;
- more than 36 percent did not complete high school;
- about three-fourths are minorities;
- more than one-third are working full time;
- more than 35 percent are non-English speakers; and
- slightly more than 15 percent do not have access to a vehicle.

These statistics are not much different from those characteristics in many other communities; however, the good news is that in Waco, labor participation rates are relatively strong. This is especially



Cowboy figure from the Branding the Brazos Cattle Drive Sculpture, Waco, Texas

true for the city's Hispanic population. More than 70 percent of Waco's Hispanic working-age adults are in the labor force—either employed or looking for work. The labor participation rate for African American residents of the city is lower, 62.4 percent; however, it is higher than the average for the peer MSAs, 56 percent.

In examining these data and digesting the information gleaned from interviews with more than 200 individuals through a series of one-on-one interviews, focus groups, and workshops, we made the following observations:

- Residents have not given up on the labor market. The labor participation rates of the economically disadvantaged population remained higher than average.
- Young adults with no more than a high school education make up the majority of the unemployed.
- The major barriers to employment aren't different from many other MSAs and include the lack of job readiness skills, transportation, and child care.
- Past antipoverty programs conducted in the city focused primarily on addressing the needs of the unemployed and persons struggling in poverty and not on meeting

the needs of employers—with the exception of GWAMA. The company representatives interviewed identified several qualities they look for when hiring for entry-level positions. At the top of the list is finding individuals who have soft skills, including a willingness to learn on the job, a good work ethic, appropriate dress, and the ability to get along with others.

- For many employers, excessive turnover rates of entry-level workers are a constant challenge.

In short, the core of Waco's economic development challenge is twofold. First, too many of the city's residents do not have the sufficient skill sets to meet the talent needs of the region's core businesses, making it difficult for them to find and keep good-paying jobs. Moreover, many of these individuals face other challenges as well, including a lack of quality and secure child care, reliable transportation, and job-readiness skills. Second, many of the region's businesses only offer low-skilled positions that pay relatively poorly and offer limited career advancement. Worse yet, the quality of the area's workforce may influence the investment decisions of future employers that may only view the Waco area as a low-cost, competitive location for low-

skilled assembly firms or warehousing of products.

The following is a list of our seven key recommendations:

- 1) Develop an employer-driven workplace-ready skills training program—Employment Pathway Out of Poverty. The objectives of the program are to provide entry-level workers with skills employers need and to create an avenue for employment for those workers who might not be considered through traditional hiring practices. This would be an intensive, five-day job-readiness training program that is directed and supported by a consortium of area employers with content that focuses on the workforce needs of existing businesses in Waco who hire entry-level workers. The training would be neighborhood based, offer soft-skills training, personal and household management skills, and “reality check” tours of various work environments. The sustainability of the program will depend on documenting the cost savings to participating firms associated with reduced turnover and better production outcomes.
- 2) Enhance productive lines of communications between these employers and McLennan Community College and Texas State Technical College for the development of accessible, customized training programs for their incumbent workers.
- 3) Develop target industry career fairs, which would be unique, invitation-only, two-day events focusing on the needs of employers in a single-targeted industry. This effort would be geared toward job-ready participants and employers that have current job openings.
- 4) Bring employment opportunities to residents living in the core city neighborhoods of Waco. Several developable tracts of land are available in the inner neighborhoods of the city. If developed, these jobs would be within walking distance for many, and for others, readily available through public transit. Also, the employers would be located near already existing quality daycare providers. Coupled with the proposed workplace-ready skills training program, the location of a new employer in the core city could bring accessible employment opportunities for residents.
- 5) Improve the delivery of the city’s economic development system, which would enable the city and its

partners to respond more efficiently to businesses and site selectors’ inquiries.

- 6) Develop an education pathway especially targeted for African Americans to successfully enter and complete college. The data show that African Americans are not taking advantage of the educational opportunities offered by McLennan Community College and Texas State Technical College. Worse yet, for those who attend college, the completion rates for African Americans are among the lowest in the state.
- 7) Provide quality child care and preschool options that focus on access, with the goal that all children who enter kindergarten are ready academically and socially.

In closing, we learned four primary lessons in Waco regarding the ongoing fight against poverty:

- 1) There must be a person who is willing to take a leadership position (a “champion”).
- 2) Employers must get involved at the ground level; however, they will stay involved only if tangible results are achieved.
- 3) The establishment of a collective impact framework involving the city, education, the philanthropic community, and employers, with a backbone structure to staff and measure progress toward meeting the common agenda, will be key to the future success in producing systematic improvements.
- 4) Success must be monitored and sustained through continuous improvement.

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The Waco Suspension Bridge across the Brazos River in Waco, Texas