

Economies of Scale

By David Myers, CEcD, MA

MANAGING TODAY'S WORKFORCE CHALLENGES IN MICROPOLITAN AND RURAL COMMUNITIES

Addressing workforce strategies can be particularly challenging for rural and micropolitan communities. Population migration in these communities is generally not as robust as it is in urban and suburban areas. Solutions go beyond workforce training, screening, and recruitment to population attraction strategies that often include the development of housing and community amenities. This article focuses on strategies employed in Ponca City, Oklahoma, that are designed to enhance the population of this micropolitan city of 26,690 people through aggressive workforce strategies, innovative housing incentives, and the addition of unique community amenities designed to help grow the population and fill available jobs.

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ECONOMIES OF SCALE

For communities outside of metropolitan areas, workforce development starts with an understanding that the very existence of a workforce cannot be taken for granted. The national conversation about skills gaps and training in these areas invariably includes a discussion about growing a population that in some cases has not changed in many years or may even be declining. Indeed for many rural and micropolitan communities, enhancing what you have is considered the best, if not the only, workforce development strategy available. Done successfully, it provides a strong workforce to existing and potential employers and enhances wage and economic growth in the community. Selling this to decision makers at both the corporate and the local government level, however, is another matter.

It wasn't too long ago that labor intensive industries from call centers to commodity manufacturers almost naturally gravitated to micropolitan and rural areas due to an abundance of available, motivated labor. The thinking was that the population in smaller communities was motivated to stay there and that they would be good, loyal employees. Both of these assumptions were true and the strategy worked, at least for a while. Good employees have a tendency to want to improve. They acquire new skills, gain experience, and seek new opportunities. As this base cycled through the area employers, the companies often have found it difficult to recruit replacements.



In an effort to reach out to young people who have left school or are underemployed, the Ponca City Development Authority launched an outreach campaign to an identified demographic to let them know about job opportunities and training that are available in the community. This mailer is an example of the message used in that campaign.

For this reason, call centers, back offices, and many manufacturers are now more inclined to look towards urban and suburban centers where a larger pool of applicants is more likely to be found. Rural areas simply do not replenish their populations through migration or immigration as fast as urban areas do. This is not to suggest that urban areas are not facing labor issues of their own. It is, however, a different situation than in rural areas.

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Addressing workforce strategies can be particularly challenging for rural and micropolitan communities. Population migration in these communities is generally not as robust as it is in urban and suburban areas. Solutions go beyond workforce training, screening, and recruitment to population attraction strategies that often include the development of housing and community amenities. This article focuses on strategies employed in Ponca City, Oklahoma, that are designed to enhance the population of this micropolitan city of 26,690 people through aggressive workforce strategies, innovative housing incentives, and the addition of unique community amenities designed to help grow the population and fill available jobs.

There are exceptions to this urban focus, of course. Food processing, oil & gas extraction and production, as well as other resource based enterprises continue to thrive in rural areas. In addition to the vital ability to locate at the source of a natural resource, lower population densities allow companies to operate with fewer restrictions than they could in a more crowded city. A stock yard, for example, might not co-exist well with a modern suburban neighborhood.

This is hardly a secret. It is important, however, to recognize that a lot of stereotypes about rural communities and rural economies are simply untrue. Not every rural county in the United States is hemorrhaging population. Indeed, as shown in the map from the U.S. Census Bureau titled Population Change in Non-Metro Areas, quite a few are growing. Moreover, people who live outside of urban areas are just as innovative, creative, and open to change as their counterparts in the city. Entrepreneurship development in Fairfield, Iowa; school to work programs in Vermillion County, Illinois; and a world class, free wireless net covering all of Ponca City, Oklahoma, are the envy of larger cities. Many leading industries have operations in rural areas for reasons far too numerous to list here and the wages paid are competitive with those paid in cities.

While a major boost to many rural economies, the recent oil boom brought with it significant workforce challenges, particularly for micropolitan cities. The lure of highly paid oil and gas work, which attracted workers from across the country, often drained smaller communities of available labor. This made it more difficult for some industries in those communities to attract labor, if a pool existed at all. Regardless of the fact that jobs in bricks and mortar plants offered more permanence, sustainability is a weak fringe benefit compared to a wage that was usually significantly higher in the oil patch.

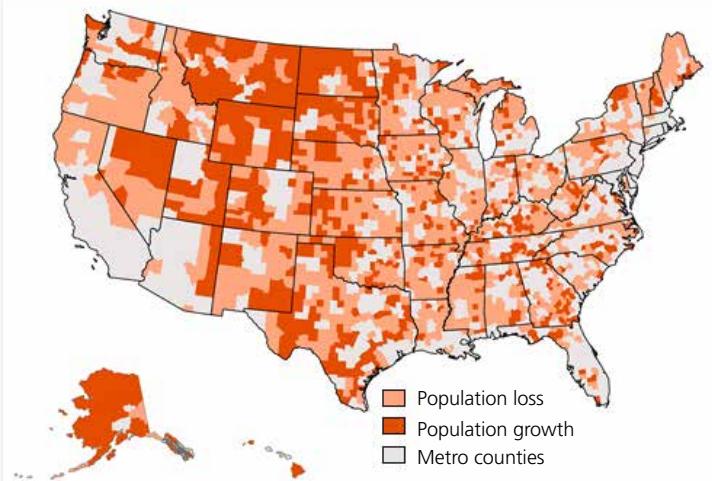
CHALLENGES FOR RURAL AREAS

The lack of people to fill available jobs and training programs has led many rural communities to define population attraction as a more important objective than job creation. Growing people, however, is easier said than done. Internal migration has long been viewed as important in many rural areas. Some have offered free land, college debt repayment and other novel programs, but their success has been limited. Migration in the United States, when it hasn't been the result of higher wage attraction, has come in large part from retirees returning home, as well as from relatives seeking stronger family connections.

The lack of people to fill available jobs and training programs has led many rural communities to define population attraction as a more important objective than job creation. Growing people, however, is easier said than done.

There are significant challenges to population attraction in rural and micropolitan areas that are, perhaps, more pronounced if not different than in urban and suburban areas. As an example, the issue of the trailing spouse gets a lot of attention from economic developers as part of employee recruitment efforts. This issue looms larger outside urban areas since the job pool in smaller areas may not be as wide or deep as in urban areas. Micropolitan and rural areas tend to be focused on a few specific industries. This could mean a limited number of opportunities, if any at all, for the trailing spouse if their employment goals are outside of the core industries of the given rural area.

NONMETRO POPULATION CHANGE, 2010-13



Source: USDA, Economic Research Service using data from U.S. Census Bureau.

What is often overlooked in this conversation is the difficulty posed to the specialized job seeker themselves. There are countless examples of industry clusters in micropolitan and rural America that provide an abundance of opportunities for a skilled workforce. The jobs pay well, support an attractive lifestyle, and typically provide for sufficient opportunities to change jobs. This is not the case for very specialized professions. Often, there is one and only one position in a smaller community which means if the job doesn't work out, the individual will have to move. This contrasts with urban areas where there may be five, ten or even more similar jobs available without the need to relocate. This is a hurdle companies in smaller areas must face, and they are keenly aware of this challenge when making the decision about where to go or expand.

Immigration into rural areas is a bright spot that has not received much attention. Popular culture, promoted by people who rarely visit rural areas, likes to assume that North Americans outside the urban core have lim-

THE PONCA CITY DEVELOPMENT AUTHORITY

The Ponca City Development Authority (PCDA) is a public trust of the city of Ponca City formed exclusively to promote and support economic development in Ponca City, Oklahoma. PCDA is governed by a seven-member board of trustees which has been granted exclusive decision making authority by the city of Ponca City. Six of the trustees are appointed by the City Commission of Ponca City with a seventh being a serving member of the City Commission.

Funding for PCDA comes from a one half cent sales tax collected in Ponca City. The authorization for this tax was first approved by Ponca City voters in 1994 and has been extended by popular vote three additional times. PCDA has six employees, with an executive director charged with the day to day operation of the organization. In 2009, PCDA became the first economic development organization in the state of Oklahoma to be accredited by the International Economic Development Council.

ited tolerance of diversity. The reality, however, is far different. Immigrants make up a large and growing part of rural populations throughout the mid section of North America.

Communities throughout flyover country are embracing diversity. Finding a Somali working in Guymon, Oklahoma; a Burmese neighbor in Garden City, Kansas or a shift supervisor from Bhutan working in Cherokee, Iowa, is no longer a novelty. There is still much to do in terms of building a cultural infrastructure for these growing populations, but the point is that rural communities are far more tolerant and open to diversity than is typically assumed.

The attraction of foreign born workers is particularly important to the food processing industry. It has proven problematic to attract domestic workers to move for a job that pays a starting wage of \$10-\$12 per hour. Jobs at this pay level can typically be found in most U.S. areas, making it unnecessary to move for work. Foreign workers, however, often do not have the opportunity to work for those wages in their respective homes. In addition, since food processing operations are often large employers, companies and communities working together have the chance to build a culturally inviting environment for a workforce from a specific area.

Across the wage spectrum, rural areas are also facing a shortage of quality housing, an important factor in population growth. Largely due to the age of the housing stock, existing homes in many rural

communities are being sold for much less than the cost of new construction. It is difficult to persuade housing developers to provide a product that will sell for substantially more than other houses. Furthermore, the lower price of homes in rural areas drives appraisals, which banks look long and hard at when deciding to finance new home construction. This is further compounded by the need for developers to bring in their own craftsmen, usually from a distance, to help build a limited number of homes.

The answers to these challenges are as diverse as the populations who now call small towns home. The communities that are succeeding are those that are taking direct action to resolve an issue. Workforce solutions based upon 21st century needs, rather than outdated federal programs and mindsets, have made a real difference. Rural communities tend to trail their urban and suburban counterparts in the development of public/private partnerships, but many are stepping up with flexible ways to make projects pencil in a way that only a smaller, agile city can do. In Oklahoma, for example, the Ponca City Development Authority (PCDA) and the city of Ponca City leveraged the close relationships and agility often found in smaller communities to build three customized initiatives to identify, train, and grow the workforce, as well as to enhance the housing stock in the community.

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PONCA CITY, OKLAHOMA

Ponca City, Oklahoma, is located halfway between Oklahoma City and Wichita, Kansas, just east of Interstate 35. The community was the heritage home of Conoco Oil Company prior to that company's merger with Phillips Petroleum in 2002 and subsequent significant downsizing of the company's presence in the area. The community faced a decade of economic challenges, with the former company town economy declining while a new manufacturing based economy was emerging.

Today, Ponca City's population is approximately 26,000 people, slightly higher than before 2002. Venerable manufacturing companies including Mertz Manufacturing Company, Smith Bits, and Continental Carbon have been joined by relatively new arrivals including Dorada Foods, Customer Mechanical Equipment, the University Multispectral Laboratories, Log10, MJ&H Fabrication, and others that have replaced the employment previously provided by a single company. Today, Ponca City offers one of the only 100 percent free and available wireless networks in the United States and is the manufacturing center for North Central Oklahoma.

PONCAWORKS

In Ponca City, PCDA launched a program in 2012 to offer solutions to companies for their most critical workforce needs. This program, called "PoncaWorks," is in essence, a free headhunting service for local companies. PCDA employs a workforce specialist who utilizes local contacts, social media, and more traditional means to identify, recruit, screen, and place employees for local companies. The PoncaWorks manager meets with managers and company owners, who often do not have the time or ability to truly focus on the hiring process, to help develop job requirements and job descriptions before handling every aspect of recruitment, leading right up to the interview.

PoncaWorks was developed in response to the need to fill key jobs in the community. PCDA's business expansion and retention manager, Laurence Beliel, sought to develop a way to provide local industry with a solution to the ongoing challenge of recruiting workers to smaller areas. Employers, typically those with payrolls of less than 100 employees, may not have the human resource capability to develop meaningful job descriptions, much less proactively recruit. There is often a lack of knowledge of the workforce system and a general difficulty in balancing the human resource needs of their companies with their ongoing operational demands.



In addition to providing an aggressive, proactive workforce recruitment tool for local companies, Ponca City's PoncaWorks program also includes a workforce pipeline component that links school age students with local employers to help the students understand the employment opportunities available to them in the community.

The program, which is limited to filling economic base jobs, has been a major success in this community of 26,690 people. Since its inception, PoncaWorks has placed 116 people in key roles with a direct annual payroll to the community of over \$4.6 million.

WORKFORCE TRAINING AS AN INCENTIVE

Not every micropolitan or rural community has the ability to provide direct, monetary incentives in a recruitment project. When they are available, workforce is becoming an area in which the use of incentives can make a real difference.

In 2011, Ponca City was working on a recruitment project to fill a food processing facility that had recently been closed by its previous owner. The closing of the plant was a major setback to the community which was already working through the downsizing of its largest private employer. Ponca City was motivated to reopen the facility and re-employ the laid off workers. To accomplish this, PCDA targeted food processing companies in North America with annual sales of at least \$75 million. One of the potential candidates was a company now known as Dorada Foods.

There were several good reasons for Dorada to select Ponca City for its new facility. There were also significant challenges that the community had to overcome. One of Dorada's concerns, when comparing Ponca City with a competing community in a different state, was that the other community had a trained workforce ready to go to their customer's high standards. By comparison, Ponca City's workforce would need to be

trained. This meant that the company had to consider the cost of "standing around time" when calculating the relative benefits of both locations.

To counter this, Ponca City worked with the state of Oklahoma to use discretionary Workforce Investment Act (WIA) money for on the job training (OJT) of workers from the earlier plant closing. This helped close the gap, but there were a number of employees who had either not been displaced or were in positions not eligible for OJT training funds. As a result, even after the OJT funds were applied, Ponca City was still at a competitive disadvantage.

PCDA was, as noted above, highly motivated to close the gap and close the deal. PCDA decided to apply local incentives, typically used for infrastructure or land, to workforce development. A program was developed called the "Training for Opportunity Program" or TOP, which applied \$205,000 in local economic development incentives to cover the OJT cost of workers not covered by the WIA OJT funds. Working with the local Workforce office, the funds were paid by PCDA based upon nearly identical standards as the WIA OJT funds in order to provide consistent reporting standards for the company and accountability to the public.

At the same time, Oklahoma's Career Tech system, through its local campus at Pioneer Technology Center, provided funding for training materials under its Training for Industry Partnership program. The three sources of funds closed the gap. As a result, Dorada Foods began operation in 2012 and today employs 300 people in Ponca City.



Oklahoma Governor Mary Fallin cuts the ribbon at the new Dorada Foods plant in Ponca City. Food processing is often drawn to rural and micropolitan areas for land use and supply chain needs. Providing the workforce for large operations such as Dorada has led Ponca City, and other similar sized communities, to work to broaden the community's appeal to a workforce from outside of the United States.



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The expenses for PoncaWorks are all the responsibility of PCDA, which views the program as an ongoing incentive not only for business retention and expansion, but also for recruitment since real solutions to the workforce situation can be a differentiator. The cost for the most recent fiscal year, which includes salary, benefits, overhead, and job recruitment expenses including travel to job fairs and plant closing events, was \$72,000 (PCDA budget, 2014-2015).

PoncaWorks does not compete with the state's Workforce office. The program, however, provides an assertive partner for the Workforce office, which typically must play a passive and objective role. PoncaWorks has the ability to decide which jobs are the most vital to economic growth and then act aggressively to fill those positions. Such aggressive actions can and do include premium LinkedIn services; individual marketing to individuals known to the PoncaWorks manager or referred to them by others; pushing "word of mouth" networks; and outreach to state unemployment offices, universities, and vocational schools in other regions of Oklahoma, as well as in bordering states, all designed to find and identify the right prospects for the company to interview. Perhaps as important, the program can provide specific attention to the trailing spouse and manage the recruitment process by treating the couple as a unit or a team, rather than discreet parts.

It is the rare non-urban community that has not wondered if local jobs could be filled by outreach to plant closures in other areas. PoncaWorks has the ability to respond very quickly and have recruiters on the ground when a plant closure in another area is announced. The program manager works with the human resource people at the plant in question to insure maximum exposure to Ponca City jobs for impacted workers. Recruiting people at plant closures has proven marginally effective.



The METS Mobile Lab is a mobile training and education facility designed to take manufacturing training directly to companies. When METS is not at a company for training purposes, it can be found at schools to help promote careers in manufacturing. The colorful look of the METS Mobile Lab is designed to get the attention of students and to help them see manufacturing as an exciting career option.

School children visit the METS Mobile Lab and have the opportunity to gain hands on experience with real world equipment including 3-D printers, laser cutters, and other tech-based tools.

METS is staffed with trained and experienced personnel who help students understand what it means to work in manufacturing today. A visit to METS often means a student will leave with a product they made as a souvenir of their visit.

In general, the small success achieved through these missions has occurred when PoncaWorks has been able to convince local employers to go to plant closing events and interview and make hiring decisions on site.

The program is not without its flaws. For example, the original program included "incentives" for people moving into Ponca City to take jobs they landed through PoncaWorks. These incentives were provided free to PCDA in most cases as inducements for future business. They included utility deposit waivers, one month free rent at participating apartment complexes, free recreational outings, discounts, and more. The ongoing renewal of these offers and the outreach to new businesses to enter into the program became more difficult than the incentive was judged to be worth and this part of the program was dropped.

PoncaWorks also has a "grow your own" component as well. This part of the program works with schools and local colleges to insure that teachers, counselors, and students understand local job and educational opportunities. What is unique to Ponca City, however, is the METS Mobile Training Facility.

METS MOBILE TRAINING FACILITY

The METS Mobile Training Facility is really a 53' semi-truck that is designed and developed to help students understand and appreciate employment opportunities in the manufacturing sector. The trailer and cab are painted in a manner consistent with a NASCAR truck with bright colors, attractive graphics, sophisticated sound systems, running lights, and other attraction getting devices. The idea is to create a "Wow" factor when the truck comes on campus. Inside, the trailer is a fully climate controlled, interactive training center with a 3-D printer, plasma torch, MIG welder, CNC lathe, CNC mill, a laser cutter, precision tools, a bench press, and six laptops tied into

overhead monitors for instructional support. METS is a focused manufacturing support facility although a second, similar mobile facility supporting the buildings and trades industries has been added as well.

METS, which stands for Mobile Education Training System, was designed, developed and is owned by Pioneer Technology Center (PTC), the local campus of the Oklahoma Department of Career and Technical Education, a state agency responsible for providing vocational education in the state. METS has made numerous visits to school campuses throughout the state and has served as a support facility at an Oklahoma City FIRST Robotics competition. FIRST, which stands for “For Inspiration and Recognition of Science and Technology,” is an international robotics competition founded by inventor Dean Kamen in 1989 designed to inspire young people in careers in science and technology. METS is manned by PTC and PCDA staff who help students from third grade on up experience an interactive manufacturing environment and understand why the trigonometry they just studied in class is relevant.

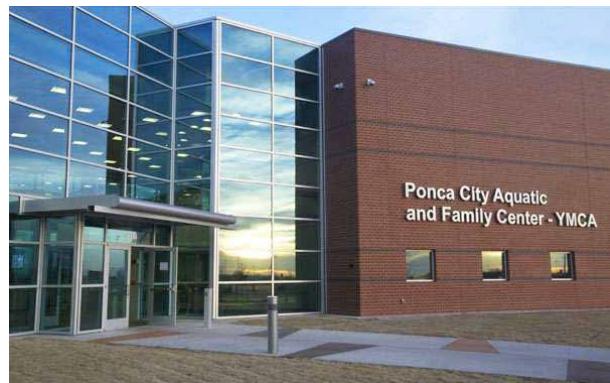
The goal of METS is to encourage students to become interested in careers in manufacturing by helping them understand what manufacturing today really does. METS also helps teachers and counselors understand the opportunities available to their students as well. This fits into PCDA's plans since Ponca City is a manufacturing community. Perhaps as importantly, METS helps to reposition and elevate the importance of manufacturing in young and more mature minds alike by providing an environment more reflective of the real opportunities which exist in the field today.

HOUSING INCENTIVE PROGRAM

In order to further enhance the available workforce issue in Ponca City, local leaders wanted to look for ways to increase the housing stock. Appraisals play a significant role in the ability of micropolitan and rural areas to attract market rate developers. Simply put, older homes



The Ponca City Housing Incentive Program or HIP, has succeeded in attracting the first new market rate home development project in the community in over a decade. The incentive program provides builders and developers with a certain amount of funding, based upon the sale price of the home, to bridge the gap that often occurs when builders consider developing homes in markets outside the urban core.



The city of Ponca City Aquatic Center is a city-constructed, YMCA operated facility that provides a recreational experience that is second to none. With two indoor pools, climbing walls, indoor track, exercise facilities and more, it has become a major attraction tool for companies and potential residents alike since its opening in 2011.

In evaluating the first year, it was determined that the program should be changed to insure that all homes incentivized would be eligible to be counted as comparable sales for purposes of appraisals. The goal is to elevate home values by increasing appraised values. This will make future home financing easier, not to mention enticing new home construction from those taking advantage of the HIP.

tend to appraise lower and there are few, if any, comparable sales of new homes upon which to base financing. It is difficult, if not impossible, to get market financing for new homes when the “market” as expressed by appraisals, says that the cost of housing is 25 percent below the cost of a new home. This creates a cycle that makes new home construction problematic to say the least. The few homes that are often built in non-urban areas tend to be custom homes and these houses do not count as “comps” for the purpose of appraisals.

The city of Ponca City decided to approach this problem head on with a program simply called the “Housing Incentive Program,” or HIP. HIP provides an incentive of up to 15 percent of the cost of a new home upon the closing of the sale. Homes sold above a certain level only receive 10 percent and a home that sells for \$300,000 or more is limited to a \$30,000 incentive. The incentive is paid by the municipally owned utility and has been justified through recovered utility payments and sales taxes as projected in an economic impact model provided by PCDA. The amount of the incentive is limited each year.

In the first year of the HIP program, the incentive was fully subscribed with five custom homes and one spec home built. In evaluating the first year, it was determined that the program should be changed to insure that all homes incentivized would be eligible to be counted as comparable sales for purposes of appraisals. The goal is to elevate home values by increasing appraised values. This will make future home financing easier, not to mention enticing new home construction from those taking advantage of the HIP. This year, the city raised the num-

ber of homes that could be incentivized to successfully attract the city's first multi-home developer in decades.

CONCLUSION

Significant challenges remain for smaller communities across the country, not the least of which are towns with a lot of heart but little money to play in an ever increasingly competitive world. Not every community can raise the money for a PoncaWorks, a METS Truck or a housing incentive. Many do not have the capacity to pursue grants for workforce solutions. Small towns, in general, are very proud of their history and their quality of life. Understanding that the former is largely irrelevant to job and wage growth and that the latter is in the eye of the beholder can help rural areas adapt to the headwinds of today's economy while seizing the opportunities for their share of an expanding, now global economic pie.

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Even in the media's urban obsessed world, rural living remains the romantic ideal of American life. A significant number of Americans are potential rural residents. With so many cities pursuing "talent" recruitment strategies that are limited to a few high profile industries, rural communities have the opportunity to focus on the immense talent that is often overlooked by others.

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It should be clear today, but surprisingly is not, that urban areas and rural areas have complementary interests. Resource based industries, which are very comfortable in the country, are the foundation of the national economy and allow the high tech, trendy jobs of Silicon Valley, Austin, and Hollywood to even exist. As advanced and "creative" as certain urban areas imagine themselves to be, we all have to eat, put fuel in our cars, power all of our gadgets, and produce materials for just about everything else.

Change is, perhaps, most difficult for economic developers. While we pride ourselves on adaptability, it is becoming clear in rural and micropolitan areas that the profession has been stood on its head. It was not long ago that the focus of economic developers was on job growth and little else. In this brave new world of jobs but few workers, job growth in rural North America, for now at least, is on the back burner in favor of just about everything else. ☺

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