Place-Based Jobs Policies

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Main Points

1. Place-based jobs policies can increase *long-term* employment rates in distressed areas.

2. Current incentive policies are wasteful, both in targeting and design.

3. Policy reforms can lower cost per job created, and increase employment-rate effects per job created.
## Geographic Disparities in Employment Rates

**Employment Rate for "Prime-Age" (25-54), 709 U.S. "Commuting Zones," 2017**

<table>
<thead>
<tr>
<th></th>
<th>10th Percentile</th>
<th>25th Percentile</th>
<th>Median</th>
<th>75th Percentile</th>
<th>90th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>75%</td>
<td>78%</td>
<td>80%</td>
<td>82%</td>
<td>84%</td>
</tr>
</tbody>
</table>

Statistics are weighted by commuting zone population.
“Jobs to People” Has Potential

- In long-run: 20-30% of new jobs increase local employment rate, 70-80% boost population.

- Why: SR job experience has LR “skill” effects.

- Local job growth’s major benefit is higher E/Pop, not fiscal benefits.

- E/Pop effects 2/3rds higher in depressed areas (e.g. up to 40% share of new jobs raising employment rate).

- E/Pop share affected by local workforce institutions.
# Current Place-Based Policies

<table>
<thead>
<tr>
<th>Place-based Jobs Policies: Annual Resources, Billions of $</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State/local business incentives</td>
<td>47</td>
</tr>
<tr>
<td>Other state/local programs</td>
<td>3</td>
</tr>
<tr>
<td>Federal tax incentives</td>
<td>5</td>
</tr>
<tr>
<td>Federal spending programs</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
</tr>
</tbody>
</table>
Incentives have Tripled
Incentives are Wasteful

• Targeted at “tradable” industries, but not targeted by industry wages, R&D.

• Disproportionately to large firms.

• Excessively long-term, half after 5 yrs
Incentives at High Level through Year 10

Annual Incentives, Various Years of Investment Decision
Incentives are Wasteful

- Targeted at “tradable” industries, but not targeted by industry wages, R&D.
- Disproportionately to large firms.
- Excessively long-term, half after 5 yrs
- Incentives not higher in distressed states or distressed places w/i states.
- “But for” only 10-15% (85% just costs)
Reforms to Place-Based Jobs Policies

• Target distressed areas.
• Limit to first 3 years, non-refundable, max of $20K/job.
• Shift more resources to customized business services & infrastructure.
Customized Business Services & Infrastructure

• Manufacturing extension, customized job training: create jobs in smaller businesses at 1/10th cost of incentives.

• Infrastructure, neighborhood services, brownfield: 1/5th costs.

• Why cheaper: directly deal with problems that impede job growth.
Reforms to Place-Based Jobs Policies

• Target distressed areas.
• Limit to first 3 years, non-refundable, max of $20K/job.
• Shift more resources to customized business services & infrastructure.
• Encourage more local hiring of non-employed.
Encouraging Local Hiring

- Customized job training.
- Minnesota MEED: discretionary wage subsidies w/ screening of both job seekers & employers.
- Neighborhood Employment Hubs.
- Employer Resource Centers.
- Other ideas?
Economic Development Policy is Part of Labor Market Policy

• Local job growth not good in itself, but as way to increase E/Pop.
• Makes more sense w/ lower costs per job & higher benefits per job.
• Lower costs: upfront incentives; more business services & infrastructure.
• Higher benefits: target distressed areas; increase local hires.