

2019

Place-Based Jobs Policies

Timothy J. Bartik

W.E. Upjohn Institute, bartik@upjohn.org

Citation

Bartik, Timothy J. 2019. "Place-Based Jobs Policies." Prepared for the New York Federal Reserve Bank, New York, New York, June 14.
<https://research.upjohn.org/presentations/59>

This title is brought to you by the Upjohn Institute. For more information, please contact repository@upjohn.org.

Place-Based Jobs Policies

Tim Bartik

Senior Economist

W.E. Upjohn Institute for Employment Research

bartik@upjohn.org

June 14, 2019

Presentation at Federal Reserve Bank of New York

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

10 th Percentile	25 th Percentile	Median	75 th Percentile	90 th Percentile
75%	78%	80%	82%	84%

Statistics are weighted by commuting zone population.

“Jobs to People” Has Potential

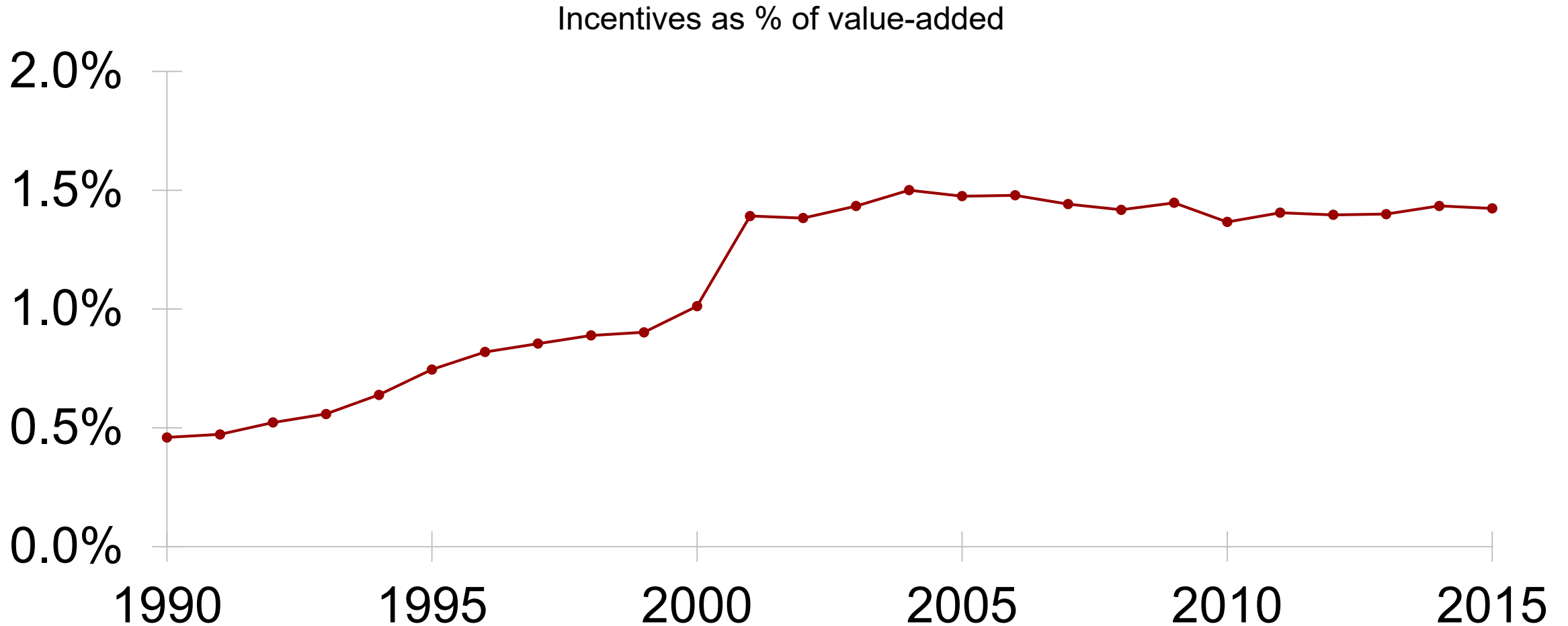
- In long-run: 20-30% of new jobs increase local employment rate, 70-80% boost population.
- Why: SR job experience has LR “skill” effects.
- Local job growth’s major benefit is higher E/Pop, not fiscal benefits.
- E/Pop effects 2/3rds higher in depressed areas (e.g. up to 40% share of new jobs raising employment rate).
- E/Pop share affected by local workforce institutions.

Current Place-Based Policies

Place-based Jobs Policies: Annual Resources, Billions of \$

State/local business incentives	47
Other state/local programs	3
Federal tax incentives	5
Federal spending programs	5
Total	60

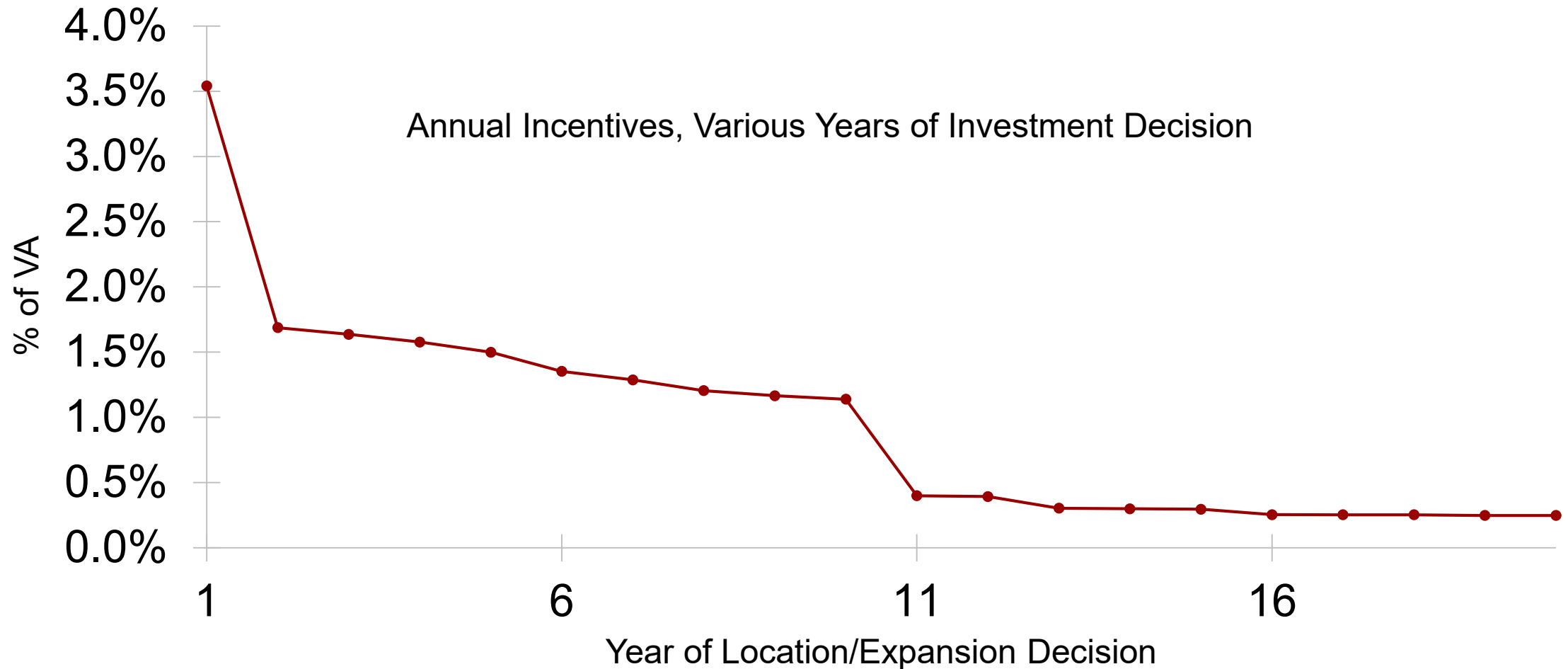
Incentives have Tripled



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



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.