My big idea on good jobs is that we can and should do more to get good jobs to the people living in the places that most need jobs. And we can do that in a more cost-effective way by stressing investments over tax incentives.

We have a huge problem in job availability in many local labor markets in the United States. Even before the pandemic, about 15 percent of the U.S. population lived in local labor markets in which the employment-to-population ratio or employment rate for so-called prime-age workers, workers between the ages of 25 and 54, was at least 5 percentage points below the U.S. average. Another 15 percent was between 1 and 5 percentage points below the U.S. average. About 10 percent of the U.S. population lived in areas that were at least 5 percentage points above the U.S. average, so clearly the average does not come close to representing the maximum attainable. These low employment rates have major social costs.

This map shows in darker colors the most distressed areas, and in lighter colors more moderately distressed areas. The distressed areas include much of the rural South and Appalachia, but also Flint and Detroit, Youngstown Ohio, upstate New York, and large parts of the West Coast states outside the booming coastal cities.

How can we address these problems of geographic job distress? We need to keep in mind three sets of numbers that have been estimated. First, trying to move people out of distressed areas does not work, not only because it's hard to get people to move, but also because the estimates suggest there is a one-to-one relationship between local population decline and local employment decline. When people out of Flint, the does not help people left behind in Flint, because jobs decrease by the same percentage as population. The employment to population ratio for those left behind is unchanged.

Second, moving jobs into places can work. By giving people job experience in the short-run, you can get major individual social benefits in the long-run. Estimates suggest that in the average local labor market, the employment rate goes up by about one-fifth of the percentage shock to jobs.

Third, these benefits of more jobs for local employment rates for jobs are much higher for more distressed local labor markets, and much lower for booming local labor markets. The effects on employment rates increase to at least 0.3 in distressed areas, and are lower at 0.1 in non-distressed areas.

Now, how do we move jobs into distressed places? What we do right now at the federal level is very little. The main policy action is state and local governments providing large tax incentives to the largest American corporation to try to induce them to locate or expand in their area. These incentives are not targeted at distressed states or local economies to any great degree. And this is not the most efficient way to create jobs. The evidence suggests that business tax incentives have a present value cost of about $200,000. Other programs such as infrastructure, customized job training, and business advice programs (i.e. manufacturing extension services) can create jobs at around $50,000.

My proposal is to create a block grant program to help distressed local labor markets, and to link people in those areas to jobs. My latest version of this proposal, which revises somewhat a proposal I made in a paper for the Brookings Metro Policy program, is for a block grant of about $19 billion annually. Most of the funds would go toward job-creating investments in distressed local labor markets, where 30 percent of the population lives -- with more funds per capita the further an area is below the average national employment rate. I also would provide some funds to neighborhoods with low-employment-rates. These neighborhood funds are not primarily to create jobs in such neighborhoods, as neighborhoods are not local labor markets and most people do not work in their neighborhood. Rather, these funds would help link residents of these neighborhoods with jobs throughout the local labor market, by providing neighborhood-based job placement and job training assistance, in addition to assisting with child care and transportation. I estimate that the funding levels provided would be sufficient to close about half the employment rate gap for both distressed local labor markets and distressed neighborhoods. Funding levels are also similar in per capita terms to what in the past we have done with programs such as the Tennessee Valley Authority.

Ideally, the federal government would undertake such a program. At the federal level, funding of $19 billion per year is a rounding error. But if the federal government fails to act, state government action is also feasible. For the average state, such a program would cost less than 3 percent of state tax revenues. In many cases, states could pay for this by cutting back their current business tax incentives.