

State Economic Growth Incentives and the Oklahoma Quality Jobs Program

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The Oklahoma Quality Jobs Program (QJP) was adopted by the Legislature in 1993 and immediately became the centerpiece of the state's economic development efforts. This article has three goals. First, it outlines the economic development rationale for incentives in general and for the QJP in particular. Second, it describes how the QJP works and presents the most recent set of performance measures available. Finally, it addresses some misconceptions about the program that have generated controversy about Oklahoma's economic development policies.

Economic Growth Theory and the Role of Incentives

In order to understand how any economy is performing, a short review of growth theory is valuable. Specifically, consider the economic base model. The economic base model developed by Walter Isard in the 1950s holds that jobs in any economy are associated with either exports or domestic production. The exports jobs are called "basic" in that they comprise the base of the economy. The jobs that support the base and the general population are sometimes referred to as "residential" because they support local residences or businesses. Isard's model suggests that even an isolated economy will develop and grow, as long as population, productivity, or resources increase. All things being equal, the greater its assets, the more robust the economy will be. Once exports are allowed, additional wealth can occur through the export of goods and services in exchange for payment. Constant levels of exports will support a fixed number of jobs. Expanding exports result in job growth.

Economic Multipliers

Basic jobs do not stand-alone. Each new basic job supports additional residential jobs. This happens in two ways. First, producing for export requires more domestically produced inputs, thus creating more jobs; these impacts are called indirect effects. Second, some of the wealth generated by the exports will be spent locally supporting more domestic jobs; these impacts are called induced effects. Although both sorts of effect differ according to industry, for simplicity's sake we can assume that these effects are

similar in magnitude. These support jobs are generally called "multiplier" jobs. Thus, each new direct basic job has a multiplied effect - larger than itself - on the overall economy.

How does this work in Oklahoma? Each new basic job in the state supports between one and two additional residential jobs, depending upon prevailing wage levels and robustness of the economy, as well as upon the degree of locally produced inputs and consumer goods. Let's assume that each new basic job produces 1.5 additional residential jobs or 2.5 total new positions. If each 1,000 direct new basic jobs generates another 1,500 jobs in the economy, the indirect effect might be responsible for 750 jobs.

Growth Begets Growth

Two other economic concepts clarify the picture. The concepts of cumulative causation and accelerator impact mean that export growth or a generally higher growth rate beget faster growth by themselves. The reasons for this are twofold. In the case of cumulative causation, production for export results in comparative advantages that promote greater growth in particular industries; this in turn leads to further specialization and scale economies that reinforce the comparative advantage. These cumulative effects are believed to be greater in manufacturing than in land- or resource-based industries because economies of scale are not as likely in resource-based activities like mining and farming. Unfortunately, this suggests growth limits upon Oklahoma's traditional economy.

The accelerator effect assumes that basic jobs require a certain level of replacement or growth investment amid that new basic jobs often require additional capital investment for supplier companies and possibly for new in-migrants. In general, the larger an economy's base the greater the natural rate of growth for the economy, because of higher levels of reinvestment and new investment—especially if that base is in manufacturing. This helps to explain the faster growth rates of sunbelt states inclusive of Arkansas over the past several decades.

Measuring the Economic Base in Oklahoma

Now that we have a definition of the economic base, how do we measure it with the use of various government data? We have employment statistics from the U.S. Department of Labor for manufacturing and mining. However, current employment statistics for agriculture are from a different non-compatible source. Further, how do we get at the services-producing side of the economy? Let us assume that mining and agriculture, while important, are not likely to be sources of growth for Oklahoma's economic base. That leaves manufacturing and business services. The definition of manufacturing is clear. Business services consist of personnel supply, computer and data processing, and miscellaneous services. Together, they now comprise some 80% of all business services employment. All of these saw employment growth in excess of 500% from 1993 to 1997, the most recent year for which detailed data are available.

Much of the growth in personnel supply service employment has occurred in large, basic employers. Miscellaneous business services include customer support and call centers which represent much of this component's growth. One might think that computer service jobs in Oklahoma were mostly residential in nature; however, a 1999 Oklahoma Department of Commerce (ODOC) survey that included 86 Oklahoma computer services firms with more than 6,600 employees suggested that some 73% of their sales were out of state.

Employment in the Southwest Region, 1993 to 1999
Employment Growth (in Percent)

	AR	CO	KS	LA	MO	NM	OK	TX	US
Total	14.9	27.7	17.1	14.4	13.8	16.6	17.2	22.4	16.2
Mfg	3.4	8.4	16.2	1.6	0.0	-0.9	9.1	9.9	2.0
Sevs	49.6	74.7	Na	41.2	44.1	49.8	89.4	67.0	59.1
Basic	9.6	32.7	Na	12.1	9.1	17.8	28.2	26.5	15.7
Base Share of Total Employment (In percent)									
1993	28.6	17.9	Na	15.0	21.5	10.9	17.7	18.8	21.5
1999	27.1	18.4	na	14.9	20.8	10.9	19.4	19.2	21.4

Source: U.S. Department of Labor, Bureau of Labor Statistics, internet downloaded of March 20,2000

So, what do these data tell us? In recent years, coinciding with Oklahoma's QJP the state's economic base (outside of mining and agriculture) has flourished. From 1993 to 1999, employment in manufacturing plus basic business services has grown in Oklahoma at the second fastest rate in the region and at nearly double the national average. That has moved this core component of basic jobs from 17.7% to 19.4% of Oklahoma employment. Because of the accelerator effect, this growth in share should put Oklahoma on a faster growth path.

The Role of Incentives

Why make use of incentives? Aren't they just corporate welfare? The issue is more complex than that. Bartik (1991) argues that incentives are neither the panacea nor bane that their supporters or detractors claim. Holmes (1995) counters that, under certain conditions, all states would be better off with a federal law prohibiting incentives. After the hundreds of millions of incentives offered to Mercedes to locate an automotive plant in Alabama in the early 1990s, the issue came to a head. Unfortunately, most of the debate glosses over basic disagreements as to exactly what an incentive is, and as to who is offering what.

What, generally, is the largest tax preference for business provided by most states? Rather than tax credits, property tax abatements, or cash payments to induce firms to locate, the largest subsidies offered by states take the form of sales tax exemptions to manufacturers and farmers for equipment purchases. For example, in Oklahoma the three largest standard recruitment incentives together — the QJP, the investment/new jobs tax credit, and the five-year ad valorem exemption—amount to less than \$100 million each year. In contrast, the Oklahoma Tax Commission (OTC) estimates sales tax exemptions for fiscal year 1997 alone at \$70 million for agricultural sales and over \$1 billion for sales to manufacturers. If one wants to eliminate special treatment, the higher-profile recruitment incentives would be the last place to start.

A final argument against incentives is that they do not induce firms to grow, but merely to relocate. Thus, as incentives are used, one site will gain but only at the expense of another. Bartik(1991) counters this argument in two ways. First, even if it were true that state and local development policies only reshuffle jobs among locations, such reshuffling can benefit the nation as a whole by placing the jobs where they have greater value. Second, Bartik also contends that greater state and local competition for jobs can increase national growth.

There has been an explosion in the number and types

of incentive programs in the nation in the past twenty years. This is certainly driving some of the backlash against incentives. However, those proposing simply to eliminate state and local incentives neglect their contribution to the allocative efficiency of markets. Consider, by way of example, the recent history of the financial markets. Since the 1970s, the development of Negotiable Order of Withdrawal (NOW) accounts, stripped treasury instruments, and the many varieties of securitized debt have contributed to market intermediation and expansion. It would be a mistake not to attribute a good portion of the economic expansion of the past 20 years to the unleashing of otherwise less-well-used financial resources through such innovations. In a similar way, the proliferation of economic development increases the economy's growth potential. Just as financial innovations bring together those possessing an idle or underutilized asset (money) with those seeking to use that asset for greater gain (borrowers/investors), development incentives assist in bringing together communities offering an underutilized asset (location) with businesses seeking to use that asset for greater gain. While there might be a few caveats, generally, the more resources that flow through these markets, the more likely that the assets will be more efficiently utilized. Market economists will generally agree that the development of so many product types represents markets working well with successful innovation a good and healthy, customer-responsive thing.

Why not just cut taxes to all firms if we want them to expand? Might not that add jobs and grow the economy? Actually, the stimulus case for business tax cuts is not as strong as the case for tax cuts to individuals. For example, cutting the unemployment insurance tax by \$100 per worker for a ten-employee firm is unlikely to make that firm so much more profitable that it hires a new \$30,000 a year employee. Even if 10,000 firms together receive a lump sum tax cut of \$10 million, at \$1,000 a firm, there is no compelling reason to believe that this tax cut would produce as much economic stimulus as giving ten targeted firms \$1 million apiece to add basic jobs to the state.

An incentive is valuable to the extent that it can change behavior and expand the base of an economy. Not all incentives are equally useful for stimulating desired activity. Incentives to residentiary businesses do not expand the economic pie; they only change how the slices are cut. An incentive for behavior that would have occurred even in the absence of the incentive is, in development terms, a wasted resource. This is where the details matter and where different development policies can be seen as more or less successful.

The Origin of the Quality Jobs Program

In response to a request by Governor David Walters, ODO in October 1992 produced a report containing two major recommendations for a new incentive program:

1. Develop and define a standard definition of basic industry and quality employers. For Oklahoma's incentives to

adequately promote economic development in the future, they must target basic firms and industries with export potential rather than simply all manufacturing.

2. Tie incentives to performance by way of payroll per employee. This provides for one of the easiest bases for computation by the firm. It also ties the incentive directly to the desired impact the state seeks with its incentives; namely, jobs, particularly high wage jobs.

The ultimate goal was to develop incentives that would stimulate the growth of high-wage, good-benefits jobs for Oklahomans. Data on business investment showed that Oklahoma had lagged in attracting business start-ups and expansions involving more than 100 employees. Limited access to financial capital accompanied by the overall high startup costs for projects of this size led policymakers to direct this new incentive towards these larger projects. Focusing on basic industries rather than just manufacturing (unlike previous Oklahoma economic development incentives) would enable the state to offer this incentive to all types of growth-inducing economic development projects. It was agreed that if at all possible, cash should be the instrument of the incentive as cash represents the most useful of resources for a firm.

Requirements of the Quality Jobs Program

In the gathering and analysis of background data to create a definition of basic industry, ODOC relied on a 1992 survey of Oklahoma manufacturers. Responses to the question relating to their percentage of sales outside of Oklahoma showed that firms with at least 100 employees tended to average more than 80% of their total sales to customers out-of-state (versus just 65% for firms with 50 to 100 employees and less than 60% for firms with 20 to 50 employees). Ultimately, the bill creating the program was written to require new payroll in excess of \$2.5 million to ensure that the state would not be subsidizing new projects to compete against existing in-state companies. Qualifying service firms were also required to demonstrate that 75% of their sales would be to out-of-state customers. Firms were also required to provide full-time jobs with health care benefits to meet our standard of a quality job.

Process Overview

New firms that add payroll build the state's tax base. Net of added costs, this additional tax base is what can be made available to businesses as inducement to expand their payrolls. The employment incentive represents a contractual arrangement between the firm and the state that recognizes that added payroll is worth something to the state. Through the incentive, Oklahoma commits all of the tax benefits that it anticipates from new payroll growth to qualifying projects for up to ten years.

The program is designed to be as customer-friendly as possible by making it decentralized. ODOC staffs represent the state in explaining the incentive and serve as agents for applicants by presenting the projects to an ODOC review team. The program is set up to provide nearly immediate estimates of incentive payments subject to the final approval of the review team and the Secretary of Commerce. The value of the incentive is computer using simple spreadsheet and basic data provided by the firm.

In a very uncomplicated way, with minimal paperwork, a firm:

1. receives a preliminary analysis of the potential QJP incentive benefits from a trained program representative;
2. agrees to apply for benefits and has an ODOC representative fill out an application to be signed by the firm and returned to ODOC for review;
3. is reviewed and approved for benefits and has a contract signed by the State of Oklahoma sent to them;
4. returns the signed contract to the state which identifies to the OTC the percent of new payroll to be rebated to the firm each quarter and the maximum dollar of benefits available over the ten year period;
5. hires new employees and submits quarterly claims for benefits from the OTC (using figures derived while preparing quarterly withholdings tax reports); and
6. receives quarterly payments from the OTC.

The Cost-Benefit Approach

The QJP was created at a time of tight state budgets when the Legislature was more amenable to an incentive that could be shown to be revenue-neutral. The approach used in the pro-program was the same shown to policymakers during the high-profile recruitment process for a United Airlines maintenance facility that ultimately landed in Indianapolis. This approach is both relatively accurate and simple to understand. On the benefits side, most increments to state revenues are associated with taxes paid by individuals out of new payroll. Consumer Expenditure Surveys from the U.S. Department of Labor suggest that for each dollar of new income, an Oklahoma house-hold will pay about 2.25 cents in sales and other consumption taxes. Data from the OTC can be used to estimate the average personal income tax rates for new jobs. For example, the average tax rate ranges from about 10, to 3.4% for Oklahoma Adjusted Gross Incomes of \$ 11,000 to \$36,000. Thus, a project with average salaries of \$21,000 would have a gross benefits rate around 4.45%. This measure is exclusive of government costs.

Costs to the state have two basic components: education costs and general governmental costs. Both arise when the state provides more services. For the most part, these costs can be thought of as a function of the number of new Oklahomans a given project attracts. State education cost for common education are set at the average the state reimburses school districts per student times the anticipated number of new school-aged residents. Assuming some excess capacity in the rest of state government, marginal costs per new resident can be set at 100% of the average cost of state government per resident.

Project costs associated with new residents are subtracted from benefits and denominated as a percent of anticipated tax receipts. This results in a net benefit rate for a project. The maximum dollar amount available to a firm is that rate times the anticipated payroll over a ten year period. In practice, firms file for QJP incentives quarterly while submitting withholding tax payments. Payments are made to the enrolled firm only after that firm identifies the payroll increment associated with new direct jobs. No new jobs, no incentive payment.

The QJP works smoothly in part because this model has been captured within a simple spreadsheet. The data requirements needed by the economic development professional to perform a cost-benefit analysis and identify the value of the incentive to a prospect are minimal. To produce a simplified profile for a firm, one needs

only the following:

1. the quarter the project starts;
2. the average salary of workers on the project in the third year of the project
3. the employment ramp up over time; and
4. the percent of workers to be hired from out of state.

The percent of workers likely to be added from out of state provides the program with its estimate for-government costs. This does not represent how many workers a firm brings with it from outside of the state. It includes all new hires who had previously lived out of state who wind up with new direct jobs or as replacement workers to other Oklahomans who take new direct jobs with an enrolled firm. Over the past several years, the state has averaged about 35 thousand new jobs a year and 5 thousand new working-age in-migrants. This suggests that on average about 15% of net new jobs are taken by new residents. The actual estimate used, however, will depend on the wage level of the jobs, the available labor force in the region and state for that particular set of jobs and the proximity of labor in other states (such as in the case of a project near a state border).

Performance of Firms Receiving Benefits

Through the first six and one-half years of the QJP 226 firms were enrolled. Two other firms were approved but formally withdrew before filing for payments. At least eight of the enrolled firms have been enrolled for more than 2 years without filing for claims and appear unlikely to participate in the program.

Through April of 2000, 186 companies have received regular QJP payments and high impacts payments of \$119 million for new hires while adding over \$2.7 billion in payroll in the first 26 quarters of the program (July 1993 through December 1999). Seventy-nine companies have already added nearly 28 thousand jobs in the October-December 1999 period with another 10 to 12 thousand additional jobs anticipated for this period. This additional activity includes more than 6 thousand jobs from firms that have either not yet filed for their first payments or firms that are one to five quarters behind in filing for claims and some 4 thousand from firms active in the state but no longer enrolled in the program.

The average annualized salary in the program (quarterly payroll times four divided by reported jobs) for the last 4 quarters (Oct-99 to Dec-99), is around \$25,100. This is up 22% from the annualized average of \$20,600 for the same period from five years earlier. Part of this rise is associated with higher wage projects. The other part is associated with increased tenure for jobs already in the program. The actual average salary paid is more than this for two reasons. First, because some firms are still ramping up, not all employees work all three months of the quarters. Second, because of employee turnover among a few firms, the number of employees reported overstates the number of positions in place for the companies. It is reasonable to believe that at this point the average job receiving benefits in the program is earning an annualized salary in the neighborhood of \$26,000 to \$28,000 - the equivalent of \$13.00 to \$14.00 an hour. This wage is meaningful, especially given that these are new starting positions and many are without tenure. In contrast, the U.S. Department of Commerce pegged Oklahoma's average wage per job in 1997 at \$23,865, which averages out to about \$12.00 an hour. The 1997 national occupational wage survey showed the average annual salary for Oklahoma workers in

Firms Receiving Quality Jobs and High Impact payments Annual Sales					
Date of Activity	Numbers of Projects	Jobs Earning Incentive	Total New Payroll Added	Associated Incentive Amount	Annualized Payroll/Job
July-Dec 1994	11	501	\$1,928,806	\$81,796	11,296\$
1995	60	4,294	\$54,178,447	\$2,368,181	\$20,551
1996	90	10,927	\$176,382,032	\$7,401,250	\$21,007
1997	100	20,607	\$370,759,085	\$15,831,140	\$21,838
1998	108	28,304	\$606,614,227	\$26,148,338	\$24,356
1999	104	33,968	\$786,821,182	\$34,958,224	\$24,698
Totals	109	27,893	\$731,647,370	\$32,378,313	\$25,291
Totals	186	39,000*	\$2,728,331,150	\$119,167,241	Na

*Estimate

“Production, Construction, Operating, Maintenance, and Material Handling” to be around \$22,900. The average starting wage in Oklahoma for these occupations has historically been more than 15% lower than the national average.

Performance Relative to Economic Growth

There are some questions regarding how much the QJP has contributed to the overall economic growth in the state. Over the period from June 1993 to June 1999, the state added some 236,100 net new jobs. During this period, participants in the QJP have added some 39,000 jobs, or more than 15% of the state's growth. Survey estimates from the participants suggest that about 50% of the firms' growth in Oklahoma was due to the existence of QJP incentives (the other 50% would have happened regardless). In effect, the QJP has been able to find and target just 226 of the more than 70,000 employing firms in the state and, through a specific limited incentive, has been able to expand state employment by an additional 15% to 20% over the past five years. This level of success in identifying growth possibilities is living up to initial expectations of the program.

The QJP is not for all firms; it is for wealth generating businesses. Growth in wealth generating firms will automatically lead to multiplier impacts in the residentiary sectors of the economy (such as most retail trade and health care). Using employment in goods producing plus business services industries as a proxy for wealth generating industries, QJP employment accounts for more than 50% of net growth among firms in these industries from June 1993 to December 1999. This is both a testament to the program's importance for Oklahoma's economy and explains why the state's basic sector employment growth has exceeded the national growth rate growth over the period.

Performance Relative to Expectations

The data suggest that, overall, about three-quarters of projected job creations are realized. An analysis done at the end of 1998 estimated new employment generated by the first 86 enrolled firms at between 16,500 and 17,000 jobs. This was more than 80% of the third year projections of the enrolled firms. The 53 firms with

enrollment in the July 1995 to March 1997 period were at some 65% of their third year employment projections. The next 50 projects, with an average age of less than one year old were at 1700 of their third year employment projections. Were we to take out the anomaly of the second Commercial Financial Services project (with its 9,219 projected jobs), these 49 firms would have reached 30% of their year three projections by December of 1998. In aggregate, we can conclude that between 60%, and 75% of the jobs anticipated by firms upon enrollment will be attained.

Performance by Geographic Distribution

The 226 enrolled firms have, because of multiple-site projects, 241 sites. These sites are located in 45 counties across the state. Aside from the three panhandle counties, each county in the state either has at least a part of one project or is adjacent to a county with at least a part of one project. Oklahoma and Tulsa counties rank first and second in the state with 71 and 56 sites, respectively, about half of the sites. Still, eleven other counties actually have more sites per capita than do either of these two largest counties.

Drop Outs from the Program

One of the reasons for the slowdown in QJP performance in the last two years is that firms are leaving the program. Indeed, while there have been more than 200 enrollees, 59 firms have withdrawn from the program for a variety of reasons. Chief among these reasons (for 35 firms) is that the three-year period for a firm to achieve its particular new payroll threshold (\$ 1.0, \$1.5 or \$2.5 million) has lapsed. Of the nearly 40 thousand jobs on the ground in the state from firms that have been in the program, some 4 thousand are in companies that have withdrawn from the program. The firms leaving the program without capping out received incentives totaling just \$18.8 million out of the \$288.5 million for which they were eligible. Still, the 4 thousand jobs that remain with these firms earned a total incentive of \$4,516 per job — an arguable efficient amount of state incentive when compared to the existing 5,000 new jobs tax credit available in enterprise zones.

Quality Jobs Program Misconceptions

A number of misconceptions persist about the Quality Jobs program.

Only big companies benefit from QJP incentives.

The QJP is often mistakenly thought of as being for large firms. Actually it is for fast-growing firms, small and large alike. Conventional wisdom holds that most job creation in the U.S. comes from small firms. Actually, research shows that most jobs generated by small firms come from a very small subset of fast-growing firms known as “gazelles”. Nearly half of all enrollees had fewer than 100 Oklahoma workers prior to their participation in this program. This includes, however, firms with no Oklahoma presence such as corporate giants like AOL and Whirlpool. Nevertheless, 43 of the enrollees—nearly 20%--had fewer than 100 employees company-wide.

Benefits are concentrated in the two major metropolitan areas.

One of reasons for the strength of Oklahoma and Tulsa counties relates to their roles as locations for workers in neighboring counties. For example, Canadian and Logan counties in the Oklahoma City metro and Rogers and Wagoner counties in

the Tulsa Metro have only four projects among them. In each of these four counties, some 50% of working residents actually commute to the larger county to work. Of the 226 projects, 154 have at least some presence in a metropolitan area of the state. While it is true that nearly two-thirds of the sites are in metropolitan counties (82 in the Oklahoma City Metro area, 64 in Tulsa’s metro, 7 in Comanche County, 3 in Garfield County, and 1 in Sequoyah County), this is not wildly out of line given that the remaining non- metropolitan one-third of the sites are distributed in areas that contain about 40% of the state’s population. Indeed, the presence of projects in Coal and Love counties shows that there is no minimum size limit to the areas capable of supporting a Quality Jobs project.

Program wages are low, especially for all of ‘the “Call Centers.”

Jobs in the program are averaging about \$25,000. This is in line with the state’s average manufacturing wage. That might not seem like much but the jobs being added are often entry-level jobs and workers start off with no tenure. An analysis of the bigger firms that have been in the program for at least three years and have reached a stable employment level shows that their composite annual wage growth for the past two years has come close to 10%. Total wage growth in Oklahoma has been closer to 4%, in each of the past two years. This faster wage growth among Program participants is most likely because of job seasoning (promotions, grade increases, tenure raises) as well as the stronger financial position of the growing firms that allows the companies to share more of their success with their workers.

<i>Telecom / “Call Center” Characteristics</i>			
	Telecom Firms	All Others	Total
Number of Companies	32	194	226
Anticipated Third-Year Wages	\$30,100	\$30,337	\$30,325
Anticipated Third Year Jobs	24,182	62,985	87,167
Share of Anticipated Jobs	27.7%	72.3%	100.0%

The criticism that all the QJP does is creates call center jobs is inaccurate in a number of ways. First, it is worth pointing out who the employers are for some of these call centers: Lucent, Seagate, AOL, and PSINet. Beyond this, one must distinguish among the types of telecommunications-related projects in the program. These include communications firms, reservation centers, customer support centers, and call centers. Yes, there are lower wage employers among the call centers, but these are small relative to all of the communications-related projects. Indeed, all quarter of the anticipated job growth in the program - have anticipated third-year wages of \$30,190. This is just a few dollars below the anticipated

wage of all enrolled projects.

Smaller projects are excluded, yet they add jobs too.

As mentioned above, incentives are effective to the extent that they change behavior. Yet surveys of program participants clearly show that the smaller the project, the less important QJP incentives will be for a firm’s location or expansion decision.

The QJP and Employment Growth

How successful has the QJP been at actually increasing employment? Three surveys of the first 154 participants (with 110 respondents) reveal that about half of the anticipated jobs in the program were directly induced by the incentive. By induced, we mean jobs which were located in the state because of the presence of the incentive. Further, results from this survey suggest that the incentive is increasingly less valuable than it initially had been in inducing job growth for smaller projects. One possible reason for this is that as the incentive has become more widely known, it has grown to become more of an entitlement or reward than a true incentive.

The data show that there appears to be a project size threshold below which expansions are much more likely to happen without the assistance of QJP incentives. Thus, for smaller projects the QJP is less efficient with state tax revenues when it comes to expanding the economy. Among the smallest projects (fewer than 500 new jobs), for each new job the state induces by this incentive, the state gives incentive payments for an additional two jobs which businesses would have created anyway. With lower thresholds, we can expect the program to be regarded even more as a reward and less as an incentive. Thus, efficient utilization of state resources suggests higher, not lower, thresholds as well as possible discretion in approving applicants (as in the case in most states with similar programs)

Quality Jobs Performance Survey Jobs Induced by the Incentive				
Anticipated Gain	No. of Projects	Expected Growth	Induced Growth	Percent Induced
500 or more	24	25,575	15,081	59.0%
200 to 499	42	13,009	3,877	29.8%
Less than 200	44	5,443	1,623	29.8%
Total	110	44,027	20,581	46.7%

Summary

There are valuable reasons for business location incentives and such incentives can be successful not just in redistributing slices of the economic pie but in expanding the economy as well. To be effective, however, an incentive must change the behavior of basic firms. The QJP in Oklahoma was designed with this in mind. Both responses from program participants as well as aggregate growth statistics for the basic sector in the Oklahoma economy suggest that the program has significantly impacted Oklahoma employment growth with most of this impact coming from the largest enrolled firms. Further, program design provides

these benefits at little risk by tying payments directly to added payroll from new jobs.

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