Getting Inventive With Incentives
Economic Development and Labor Track
Moderator and Speakers

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Incentives: National Trends and Future Evolution

Bob Isaacson
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Laying the Groundwork

- Incentives will continue to be important
- Part of a larger economic development strategy
- Slight shifting in incentive approach
- Connections are important
Program Trends

Numbers and Types

Activity
Program Trends

Numbers and Types

- More programs than ever
- Fewer new tax credit programs
- SSBCI influences
- Regional variation
Program Trends

Activity

- Incentives vary by industry
- Fewer awards, but higher awards
- Local Priorities
“Getting Inventive with Incentives”

National Conference of State Legislatures,
Legislative Summit 2023
Indianapolis,
August 15, 2023

Michael Hicks, Ph.D.
George & Frances Ball Distinguished Professor
Director, Center for Business and Economic Research
Incentives largely target a static (or declining) pool of jobs! Economic developers are chasing the wrong labor markets.

Cumulative job growth
‘Attractable’ vs. ‘non-Attractable’ jobs
(USA, 1969-2021)

Source: Hicks, Weinstein and Wornell, 2023: Bureau of Labor Statistics data
Targeted incentives shift tax liability to growing industries and households!

Effective Tax Rate in Indiana (taxes-subsidies, 1998-2021)

Source: Hicks, Weinstein and Wornell, 2023: Bureau of Labor Statistics data
Tax cuts and subsidies are not going to job creation, they are going to automation, that reduces the role of labor.

The change in **Labor Share** and **Net Taxes**, Indiana Manufacturing

- Change in Labor share
- Change in Net Taxes
Half of the most mobile households now work remotely, and half of them are full-time WFH. These are the new ‘attractable’ jobs, but traditional incentives won’t work on them.
State and local tax rates are not directly disincentivizing population growth. Instead families are moving to high Quality of Life counties, with higher taxes.
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