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Study: States Should Grow Their Own High-Tech Jobs, Shun the Tax-Break “War Among States”

Pittsburgh—Pennsylvania and six other states vying with one another to grow their high-tech economies will best succeed by focusing on their existing employers and shunning the “economic war among the states” involving costly tax-break competitions.

That’s the finding of a major study released today by Good Jobs First. Ohio, New Jersey, New York, Maryland, North Carolina and West Virginia are the states compared.

As states experience their most severe revenue crisis in post-war history, the study charts a positive alternative strategy for the most effective job-creation investments.

The study draws its conclusion from two unique analyses of Pennsylvania. One details where the state’s high-tech jobs have come from since 1990; the other reveals the effective tax rate for high-tech companies in all seven states. It finds only minimal differences among tax rates— even when the states’ most lucrative economic development incentives are accounted for.

“Over time, all the growth in Pennsylvania high-tech jobs comes when existing workplaces expand and new ones are born—not from smokestack-chasing,” said Greg LeRoy, executive director of Good Jobs First and primary author. “We believe the same analysis would find similar results for the six other states.”

Instead of competing with each other for specific companies, states' resources will best be spent strengthening small, young and locally owned businesses, and improving the skills of workers to match industry needs, the study concludes.

Although interstate movement of high-tech jobs is almost negligible, offshore job flight is a far more significant issue. The study recommends redress be sought through federal trade policy, not to be confused with state tax policy. The study provides eight case studies of big-ticket incentive deals including Dell, Google, AMD, Westinghouse, two pharmaceuticals, a plastics factory, and a research lab.

The study was funded by the Pittsburgh-based Heinz Endowments, a regional philanthropic leader in developing strategies to spur high-tech job growth. The public announcement of the study came just before a meeting sponsored by the Endowments to discuss implications of the findings with participants from the seven states and other economic development organizations. Good Jobs First is a non-profit research center based in Washington, DC promoting best practices in economic development. The study is online at www.goodjobsfirst.org/PAhightech.cfm.