
New Paper Examines State Economic Development Indicators.

How do we know if state economic development incentive programs are working?

A recent report from the Center for Regional Economic Competitiveness with contributions from Smart Incentives strives to help states answer this question. In this article we highlight a few key points from The State Economic Development Performance Indicators White Paper.

Findings on Indicators in Use

- Investment and jobs are the dominant indicators states use to assess incentive program performance. These indicators are used for a whole range of incentive programs serving a variety of business needs, including capital access, site/facility development, tax reduction, workforce, infrastructure, marketing/sales support, technology & product development and tourism.
- Economic development leaders tend to be dissatisfied with reliance on jobs and investment metrics because they may not be appropriate performance indicators for each of these different types of incentive program given the various business needs they are intended to address.
- Jobs and investment metrics are often not clearly defined or consistently applied across programs, hindering evaluations.

For example, while every state counts jobs, each does it differently. Even within states, some programs emphasize job creation or new jobs, while other might (1) include retained or existing jobs, (2) tally jobs for specified segments of the population, or (3) count jobs meeting criteria such as above average wages. Programs may also have different ways of determining what is a new job or defining full-time employment.

The white paper offers suggestions and examples of how to make job counts a more robust metric for state incentive programs as well as insight into how states measure “investment” across programs.

Improving Indicators

States are also seeking alternative indicators. The white paper highlights metrics beyond jobs counts and investments that states use to assess programs designed to support sustainability, worker earnings (to signify job quality) and entrepreneurship and innovation. Future research will delve further into these indicators.

The paper concludes with the following guidelines for selecting appropriate indicators to evaluate program performance.

1. Start with the big picture. A clear goal or performance statement is the foundation of good program evaluation.
2. Align indicators with stated program goals.
3. Assess data quality, cost and availability when selecting indicators.

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