Jobs Close to Home: Issue Brief

The Human and Economic Benefits of Local Development

Summary

New development creates new job opportunities. There are the jobs created directly on-site, but each of those jobs create additional jobs in the local goods and services industries. Attracting new development allows young and experienced workers to stay in their home communities while growing in their careers and finances. An expanded labor market is good for everyone, but most positively affects young and non-college bound workers in addition to providing economic benefits for low-income families. Residents also benefit from the local economic boost, and quality of life can improve when locals are given the opportunity to work close to home. When new development comes to a city, the creation of new jobs also produces several far-reaching subsequent benefits for every part of the community.

Background

In discussion about new development, the topic of new job opportunities frequently arises. A common question with new development is “how many jobs will be created”, but the answer isn’t so simple. While new development does create new jobs directly on site, the reach is actually much further. When new development comes to a city, countless benefits come with it, which is why cities are competing so vigorously to attract new major employers. A key benefit is the creation of new job opportunities because expanding the labor market has several positive effects for every category of resident and worker in the area.

Workers are Seeking the Best Opportunity

One benefit that comes with new development and its creation of new job opportunities, is the importance of retaining and attracting qualified young adults. The next generation of the workforce is key to the success of a city's future, but if a city hopes to keep its young workers and attract new qualified workers, career opportunities need to be available.

In an analysis of three decades of U.S. Census data looking particularly at the residential location choices of young workers, it was found that young college graduates were significantly more responsive to areas with higher local labor demand when deciding where to locate after graduation compared to high-school graduates. This analysis shows that employment opportunity is a major factor in determining where young, educated workers choose to live and work. Communities seeking to retain those young workers need more than amenities and quality of life, as the most pressing issue in the decision for college graduates is a presence of career opportunities. If a city offers those opportunities, young workers are provided a stronger opportunity to establish themselves economically without leaving the region (Wozniak).

Similarly, studies have shown that job and income opportunities considerably influence people's decisions about where to live. Decisions to move to another state were found to be influenced "to a substantial extent" by income opportunities. The largest incentive for people moving was a geographic difference in wages. Whether a young worker or an experienced laborer, when strong career and income opportunities are unavailable locally, there is a major economic incentive for workers to leave to chase better opportunities (Kennan).

Skilled trades workers are also heavily influenced by job opportunities and sometimes need to travel far for a worksite oftentimes leading them to be away from home during the week. On average, 58% of workers in the field will relocate for better job opportunities, higher wages, and better benefits (Camacho). This is especially true because larger, occupation-specific labor markets are associated with several advantages for skilled trades workers. Such markets create increased job turnover, where workers have the power to move between employers in markets with great demand for their specialized skills. Additionally, larger occupational markets enable skilled trades workers to continue acquiring general training that can be easily transferable on other sites (Groen).

Workers are Seeking the Best Opportunity Cont.

Expanding demand for workers can broaden opportunity far beyond professional careers. Local labor markets are important for all workers, but most impacted are young workers and those who do not attend four year college.. When a city can expand labor demand through new development, every category of worker benefits (Hoynes).

Close to Home Jobs Provide Resident Benefits

When new development begins in a city, the subsequent economic-development initiatives can create more jobs and higher wages for those who already live in that community. In one study, those living near a new development project experienced an approximate 13-19% increase in total employment. Additionally, hourly wages of residents increased about 8%. In fact, in one instance, workers near the development received about $320 million per year in additional wages. All employment and wage gains occurred without corresponding increases in vacancy rates, population, or rents, which shows that these benefits were experienced by residents who lived or worked in the area before the development began. Whether residents work directly for the new development, or simply live or work in the area, existing local residents can benefit significantly from economic development (Busso).

The job growth created by development proves especially beneficial for lower-income families living in the area. One study found that metropolitan job growth increases real family income. Particularly, families in the poorest 20% experienced the most significant increase in income. Job growth also increased the value of property owned in that area. Attracting new development to create a stronger labor market is not an economic-development strategy that benefits only professionals or businesses but is perhaps most impactful and important for lower-income households (Bartik).

Close to Home Jobs Provide Resident Benefits Cont.

When new development can provide close-to-home job opportunities, residents benefit in many ways including better quality of life. Studies have found that there are several quality-of-life costs that come with long commutes. The average daily commuting time in America is 54.5 minutes, while some workers travel as many as 120 minutes to and from work. For men, adding an hour of commuting was associated with 21.8 fewer minutes each day with a spouse, 18.6 fewer minutes each day with children, and 7.2 fewer minutes per day with friends. Those numbers may be small, but in an average work year, that equates to 91 fewer hours with a spouse, 78 fewer hours with children, and 30 fewer hours with friends. For women, changes in time with children and a spouse remained the same, but an additional commuting hour was associated with 11.9 fewer minutes each day, or 50 fewer hours in the average work year, with friends. New development can make good jobs accessible closer to where local residents live. The subsequent benefits go far beyond wages, as reducing commuting burdens can return invaluable time to families, friends, and communities (Christian).

The effect on skilled trades workers can be even more severe. In one study, it was found that longer commute times and work schedules lead to workers missing family responsibilities and time with their families. Many workers reported a one-hour commute each way, which led to conflict, and for every single point of added conflict, researchers found a 33% higher psychological distress score. Of the workers interviewed, 39% reported moderate or severe psychological distress (Dennerlein). In the skilled trades industry, it is relatively common for workers to be so far away from home that they spend the week away from their families. This arrangement has heavy effects on the workers and their families. In these situations, spouses experience more loneliness, some children experience sadness or anxiety with one parent away, and typical household and family routines need to be reworked (Asare). These effects are even more ramped up if workers stay away from families for a week or more at a time. In these instances, workers experience low relationship satisfaction, reduced communication with partners and children (Forshaw). Families and workers would benefit significantly if commute times were reduced and time at home was expanded through job opportunities close to home.

New Jobs Create More Jobs

In addition to retaining and attracting young qualified workers and benefiting local residents, new developments create far more job opportunities than just those offered on-site. Research has found that attracting one job through new development can generate additional jobs. In fact, for every manufacturing job created, about 1.6 additional jobs are created in the service sector. When manufacturing employment increases 10%, the local goods and services industries experience a 3.3% increase in employment. When new development creates opportunities for higher-skilled jobs, the effect is even greater. For every skilled job, 2.5 local service jobs are created in the area. Economic impact goes far beyond the jobs created through new development, as new payroll creates demand in other industries in the community (Moretti).

Attracting new development can also boost productivity in local businesses. One study compared counties with similar productivity trends competing for new development, those who attracted the new development versus those that lost the opportunity. It found that five years after the new plant opened, total factor productivity at plants existing prior to the new development was about 12% higher in the counties that won the development. The boost in productivity was larger in companies sharing similar labor and technology needs as the new development. Landing a major employer strengthens the local business ecosystem (Greenstone).

New development brings several benefits to the local community, which is why cities and counties are in competition. The city that attracts development benefits from job creation, but the reach goes far beyond the jobs created on-site. Every job created by new development creates additional jobs in the community, and businesses in the area experience a boost in productivity. However, the competition to attract new development is not just about business. New job opportunities enable young people and experienced workers alike to stay in their hometowns while growing financially. Lower-income families, less-educated workers, and young workers alike benefit from a booming labor market. Residents enjoy the benefits of a booming local economy, and are given an opportunity to increase their quality of life, expand time with their loved ones, if they secure a job closer to home and cut their commute times. Research has shown that attracting a new development is far more than a business or economic decision: it is an opportunity to strengthen all residents and workers, ultimately creating a stronger community.

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