GENESEE / FINGER LAKES REGIONAL PLANNING COUNCIL

Getting Paid to Move:

How Communities are Using Incentives to Attract the New Remote Workforce

GENESEE/FINGER LAKES
Regional Planning Council

[Prepared by MRB Group, G/FL Economic Recovery Coordinator]

MRB group

Economic Recovery Series:
How Communities are Using Incentives to Attract the New Remote Workforce

It's no secret – the workforce across the U.S. is more mobile than ever.

As companies increasingly allow employees to work from home, demand for traditional physical office space has continued to dwindle. Evidence suggests that employees around the U.S. are increasingly turning their backs on the traditional office space model. A 2021 survey from global consulting firm McKinsey & Company found that 28% of employees are "very likely" or "likely" to switch jobs if their work turns back to a fully on-site model.[1] If local employers don't adapt or respond to this trend quickly enough, there is likely to be a significant portion of the labor force that will be looking to make a change.

But what happens in the case where forward-thinking employers embrace this trend and continue to allow remote work options?

One possibility is that geographical constraints will no longer restrict the talent retained by companies to a physical office. Though it is doubtful that the shift to remote work environments alone will produce measurable impacts on workers' decisions on where to live, when coupled with other pandemic-related realities like social distancing, rising healthcare costs, and seemingly inescapable new virus variants, it becomes more likely that people will reconsider where they want to live. There is mounting evidence of an urban exodus—an outmigration of people from urban areas with high costs of living. For example, a study from the Federal Reserve Bank of Cleveland found an average net outmigration of residents from urban neighborhoods of 56,000 people per month, beginning with the onset of the COVID-19 pandemic in March 2020.[2]

While the study simply examined the general migration patterns of movements between urban and non-urban neighborhoods, one trend is clear: People are more mobile now than ever due in part to the newly found mobility in employment. And in response, new and innovative workforce development strategies are beginning to emerge that capitalize on this trend. In nearly every corner of the U.S., communities are introducing pilot programs for novel economic development incentives aimed at attracting remote workers. This strategy—let's call it direct-to-remote worker incentives—promotes the relocation of remote workers by providing an award or gift directly to those workers who choose to relocate to their communities. Types of direct incentives vary from cash-in-hand to tax credits or free land to build a home on.

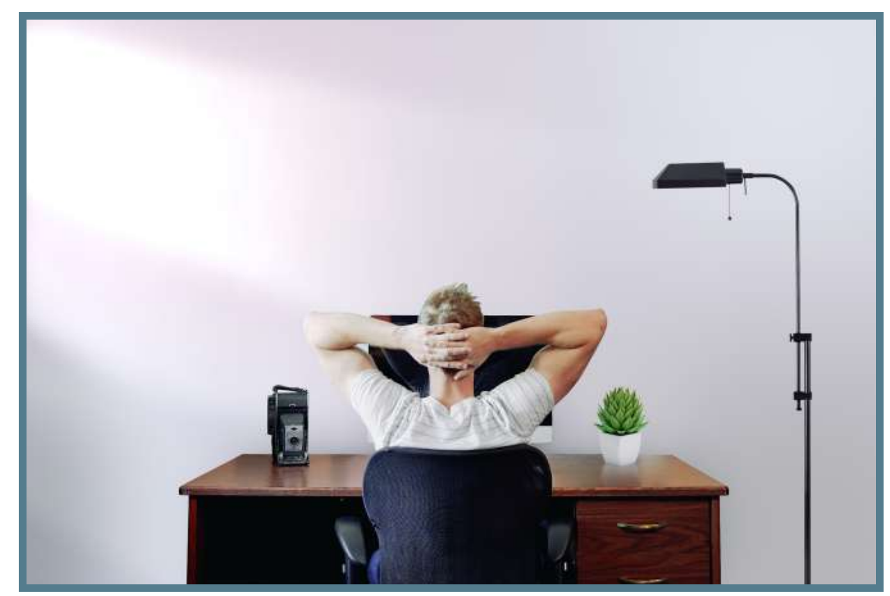
[1] https://www.mckinsey.com/business-functions/organization/our-insights/what-employees-are-saying-about-the-future-of-remote-work

[2] https://www.clevelandfed.org/newsroom-and-events/publications/cfed-district-data-briefs/cfddb-20210205-did-the-covid-19-pandemic-cause-an-urban-exodus

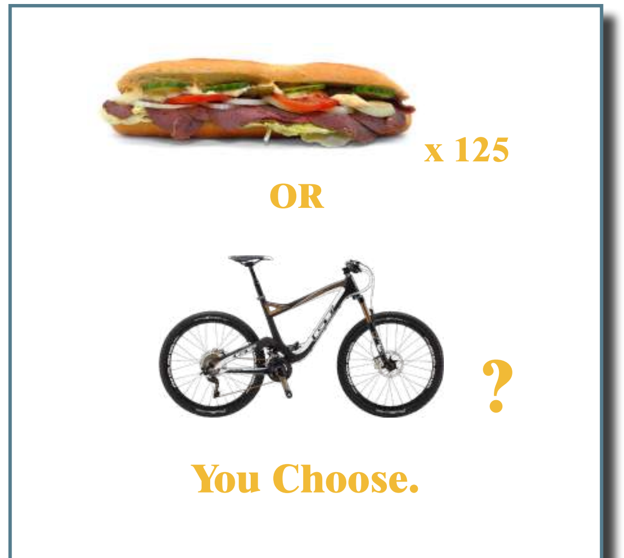
What will your community do to capitalize on this trend to attract and retain top talent?

Types of Incentives

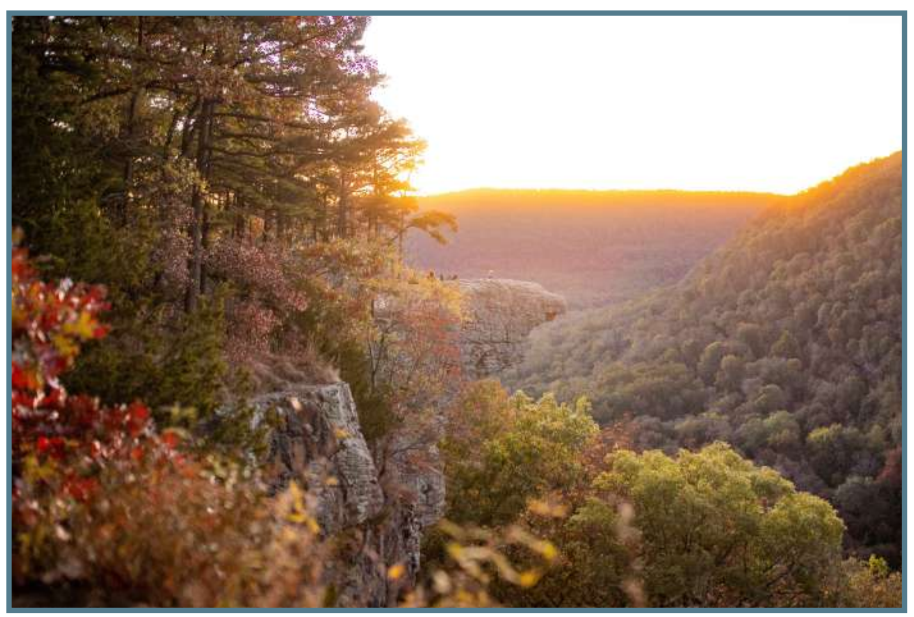
- Cash
- Home construction rebates
- Home ownership rebates
- Land
- Relocation reimbursement
- Student loan payments
- Tax credits
- Gifts



In addition to these “traditional” incentives, many communities are thinking outside the box and getting more creative with the types of incentives they offer. Is $10,000 enough to convince you to move to Topeka, Kansas? No? What if I told you they’d also throw in $1,000 of free Jimmy John’s? At about $8.00 a sandwich, that’s over four months’ worth of free subs (or 125 regular-sized sandwiches). [3]



What if you’re not feeling very hungry or feel off-put by the thought of eating nothing but deli meat every day for months? There are plenty of other innovative incentives that communities are offering. For example, you could move to Northwest Arkansas for and get $10,000—and a free mountain bike!



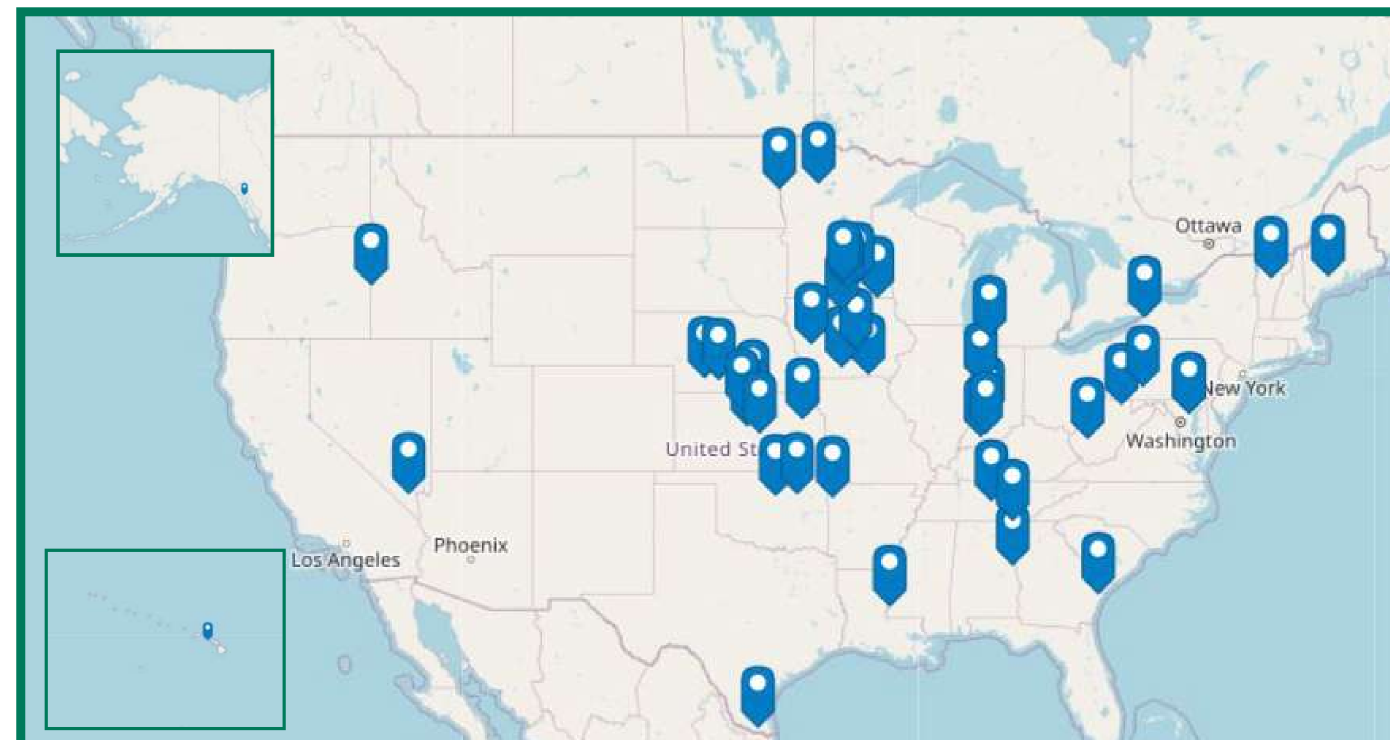
Hawksbill Crag, Northwest, AR

[3] https://www.clevelandfed.org/newsroom-and-events/publications/cfed-district-data-briefs/cfddb-20210205-did-the-covid-19-pandemic-cause-an-urban-exodus

Remote Worker Incentives Across the Country

In total, we found 45 such programs across the country that in place or under development[4], shown on the map to the right. Iowa, Minnesota, and Indiana have embraced this new strategy, with pilot programs in several municipalities throughout these states. The first community to offer this type of incentive at this magnitude, the City of Tulsa, Oklahoma, has been running its direct-to-remote worker incentive since 2018. More on that later.

Map of incentive programs in the U.S.



[4] MakeMyMove.com; A company that compiles these type of incentives in the U.S.

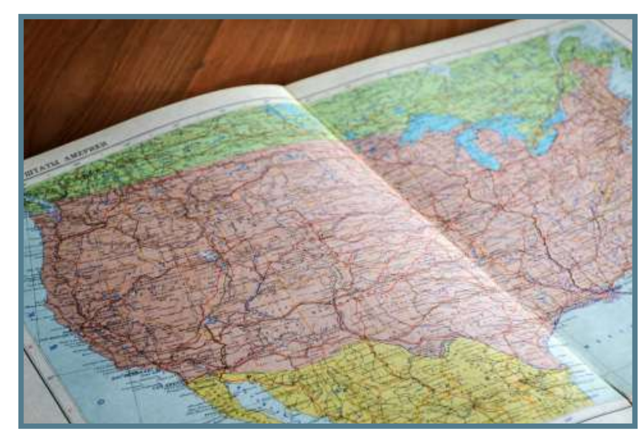
Current Programs

The type and level of incentive varies vastly among communities throughout the country. The median value of direct-to-remote worker incentives is $5,000.[5] Among all open programs in the U.S., the economic development organization Ascend WV is offering the largest incentive in terms of monetary value. This program seeks to attract remote workers to the communities of Morgantown, Lewisburg, and Shepherdstown, West Virginia by offering $12,000 in cash and $8,000 of free outdoor recreation gifts for a year, for a total monetary value of an estimated $20,000. Many other communities areoffering various small incentives in the $1,000-$2,000 range in the form of relocation reimbursements, student loan repayments, and tax credits.

Due to the novel nature of this economic development strategy, the return on investment to the community has been unclear. This type of incentive only recently started gaining momentum in 2018 with Tulsa's "Tulsa Remote" initiative. Nearly all of these programs are less than three years old, making the true results difficult to determine at this point. Advocates for these incentives claim that bringing remote workers into these relatively low-cost-of-living communities can improve the resiliency of the local economy through diversification and direct investment. Some programs even require new workers to accept an in-state or in-region remote job as part of a strategy to alleviate local workforce gaps.

[5] Incentive programs in Las Vegas, NV, Chattanooga, TN, and San Juan, PR, removed from calculation. The incentive value for these programs is currently listed as $1 as program details are still under development.

Skeptics question the effectiveness of these incentives as a long-term economic development strategy. The remote workforce is disproportionately comprised of high-skilled high-earning positions that will theoretically remain just as mobile when the value of the incentive diminishes. Therefore, direct-to-remote incentives can be considered a double-edged sword. Bringing remote workers to your community will undoubtedly improve the robustness of the local workforce, but the same location elasticity that enabled remote workers to relocate to your community also allows them to relocate again when the incentive runs out. Discussed below are several programs that have developed ways to address this issue. When considering the usefulness of this strategy toward your community's goals, it is crucial to consider the true economic impact of this type of incentive. The rest of this paper presents an overview of several current incentive programs, a profile of the kind of communities that might benefit from a particular type of incentive, and a comprehensive look at the economic impacts.



List of Current U.S, Programs

Community	State
The Shoals	Alabama
Juneau	Alaska
Northwest	Arkansas
Savannah	Georgia
Honolulu	Hawaii
West Lafayette	Indiana
Bloomington	Indiana
Jasper	Indiana
French Lick	Indiana
Manilla	Iowa
Bloomfield	Iowa
Newton	Iowa
Osceola	Iowa
Britt	Iowa
Marquette	Kansas
Topeka	Kansas
Lincoln	Kansas
Mankato	Kansas
Wilson	Kansas
Osborne	Kansas
Augusta	Maine
Baltimore	Maryland
Southwest	Michigan
Claremont	Minnesota
Janesville	Minnesota
Bemidji	Minnesota
Halstad	Minnesota
Harmony	Minnesota
New Richland	Minnesota
Natchez	Mississippi
Elwood	Nebraska
Curtis	Nebraska
Las Vegas	Nevada
Buffalo	New York
Stillwater	Oklahoma
Tulsa	Oklahoma
Ontario	Oregon
Johnstown	Pennsylvania
San Juan	Puerto Rico
Rutherford County	Tennessee
Chattanooga	Tennessee
La Villa	Texas
Montpelier	Vermont
Morgantown	West Virginia
Charleston	West Virginia

From Halstad to Honolulu

Communities of varying sizes, populations, and political leanings are offering direct-to-remote worker incentives. Of the 45 current programs, the population size of the host communities ranges from 581 residents in Halstad, Minnesota to 974,563 residents in Honolulu, Hawaii.[6]

Because these programs are designed to attract outsiders to your community, you might think communities that adopt this type of incentive have been experiencing a persistent loss in population in recent years. There is some truth in that assumption, as just over half (56%) of the 45 communities have seen a decline in population from 2010, of 6.1% on average. However, other communities leveraging this tool have seen population growth. There are 20 communities currently offering this incentive that have gained population over the past decade, by an average of 13.1%. This incentive aims to bring more workers into a small town/area to build a more robust workforce and local economy, and this incentive structure has been utilized to resuscitate communities with persistently declining populations and realize the full economic potential of communities on the rise.


Halstad, MN


Honolulu, HI

Local Government Entities that Have Used Direct-Remote-Worker Incentives:

- Cities
- Towns
- Counties
- Regions (EDOs)

[6] 2015 - 2019 American Community Survey Estimates.

This model is not just for struggling or poor rural communities. Median household income across communities offering this incentive range from $24,561 to $88,390.[7] At its core, this model is designed to improve the resiliency of the local workforce through either expansion, diversification, or a combination of both.

Communities have funded this incentive in a variety of ways. Some programs are supported almost entirely with private dollars, while others are not. West Virginia's program, Ascend WV, was funded in part by a $25 million donation from former Intuit CEO Brad Smith and his wife, attorney Alys Smith.

In communities lacking the fortunes of wealthy philanthropists like the Smiths, public money and resources have been allocated for these incentives. For example, the small city of Wilson, Kansas is gifting free municipally-owned land to remote workers. The incentive provides an attractive proposition to potential residents and helps shrink the city's balance sheet. Many of the lots are vacant and underutilized, so all the economic benefits of building on vacant land will also benefit the community.

In short, communities can take a variety of approaches to developing a direct-to-remote worker incentive. Implementing a successful program is a function of ambition, opportunity, and resources rather than a prescription for some clearly defined community ailment. When determining their community's fit for such incentives, leaders must evaluate the full scope of economic conditions, costs, and benefits.

[7] 2015 - 2019 American Community Survey Estimates.

Economic Impact

The direct-to-remote worker incentive phenomenon has taken the country by storm very recently, especially from the start of the pandemic. As these programs have gained more traction and more attention from the media, a discussion on the effectiveness and true economic impact has become increasingly important. Frequently, these incentive programs are quickly written off as marketing strategies rather than viable economic development solutions. The actual economic impact is seldom discussed. Below we use a real-life example from the Tulsa Remote program to discuss theoretical economic impact. First, let's very briefly review the basics of economic impact assessment.

In its simplest definition, economic impact analysis evaluates the effects of a policy or investment on a specified geography. These effects include both the direct effects associated with implementing the policy or investment and the indirect and induced effects that occur as the direct effects reverberate through the economy. These effects, defined in the box to the right, are often discussed in terms of changes in spending, wages, and jobs, and together they provide a holistic view of how an investment circulates through an economy.

Total Economic Impact = Direct Impacts + Indirect Impacts + Induced Impacts.

Direct-to-remote worker incentives are based around the concept of attracting new residents to the community who wouldn't otherwise relocate absent the incentive. As such, each person that chose to relocate because of this incentive can be considered "net new" to that community. Generally, a direct-to-remote program is meant to attract out-of-region residents who won't displace the locals from their existing jobs or communities. Though eligibility requirements vary between programs, almost every program requires participants to be from outside the region or state. Therefore, we can count the household spending of these new residents as "net new" to the local economy.

Direct Effects: Direct effects are the direct result of the incentive or policy, as they would not otherwise occur in the absence of the incentive. If a community incentivizes ten new residents to relocate to the area, the direct effects may be changes in the consumption and/or production with the local economy directly stemming from new residents. New residents (the otherwise wouldn't have relocated) will have to find a place to live, buy groceries, buy furniture, go to the doctor, enroll in school, etc.... These effects will follow the immediate action being investigated – relocation of remote workers in this case.

Indirect Effects: Indirect effects are associated with business-to-business purchases within the supply chain that are a result of the direct effects. Continuing with our example, "net new" residents of the community will increase demand for local goods and services. As such, local businesses will need to make more purchases from their suppliers to meet the increased demand. These effects are business-to-business impacts as a result of direct effects.

Induced Effects: Induced effects stem from the new household spending of the employees within the supply chain. Within the supply chain, new employees are often hired to keep up with the increased demand trickled down from initial investment in the local economy. These effects model the changes in household spending from income derived from changes in direct and indirect employment.

The Tulsa Example

*Disclaimer: The following example scenario is based on data from multiple sources, in addition to several assumptions specified below. This example is not a reality but is meant to serve as an illustrative example of what the economic impact of a direct-to-remote worker program might look like for a local economy.

Tulsa, OK

As mentioned previously, Tulsa Remote is a direct-to-remote worker initiative originally implemented in 2018. The program offers $10,000 cash grants to out-of-state remote workers that relocate to Tulsa. Additional benefits of the program include a free year of downtown co-working space and several networking and community events. Over the three years of its existence, the program has received thousands of applications and has accepted over 960 new residents to the city.[8]

For our example, let's assume the program accepts an average of 320 new residents into the city each year. In terms of costs to fund this program, we assume an average cost per relocated worker is $13,000 including the $10,000 cash grant, $2,000 in other gifts, and another $1,000 in overhead. Given these assumptions, we estimate the average annual costs of the program to be roughly $4.2 million.

Annual Cost of Program	
Relocated workers	320
Estimated costs per worker	$13,000
Total annual costs	$4,160,000

One requirement of the program is that new residents must be from outside Oklahoma to receive this award. Award recipients are encouraged to bring their family members, but we assume the program will create 320 new households in the city for this analysis. The program's economic impact is a result of the spending of the new households relocating to the city.

[8] https://community.tulsaremote.com/?_ga=2.207287568.2037337586.1629224247-695283038.1628868808

The city's median household income is $47,650 per year. We will assume each of the 320 new households relocating for the award earns the city's median income. While remote workers tend to skew toward higher-paying jobs, we use the city's median income for consistency and to be conservative in our estimates. Given this assumption, the initial investment of $4.2 million in the incentive program will yield an estimated $15.2 million in net new earnings for the city—the "direct effect." Although some portion of the new earnings will go to taxes and savings and be spent elsewhere, a large portion of the earnings will circulate through the city's economy as new households buy homes, groceries, haircuts, Jimmy John's, etc.

Annual New Household Spending	
Relocated workers	320
Median household income	$47,650
Estimated earnings of new households	$15,248,000

We can use data from the U.S. Bureau of Labor Statistics' Consumer Expenditure Survey (CEX) to estimate the spending habits of new households. Based on income level and region, the CEX survey estimates the average annual spending for households on a common basket of goods including things like food, apparel, and healthcare. The table to the right displays average annual spending by households in the Southern Region that earn between $40,000-$49,999 in annual income. New households relocating to the city will spend an average of $26,719 per year across the baskets of goods shown. If each of the 320 households spends at least this amount in the local economy, the economic impact will be significant.

Average Annual Spending	
Food	$6,594
Household furnishings and equipment	$1,465
Apparel and services	$1,144
Transportation	$8,300
Healthcare	$4,497
Entertainment	$2,027
Personal care products and services	$634
Education	$595
Other	$1,823
Total annual spending	$26,719

It’s fair to say that not all of this spending will occur in the local economy. Online shopping, specialty services, and travel are all examples of spending outside the city. To accommodate this, we will conservatively estimate that 70% of the new households’ spending on the specified basket of goods will occur at businesses in the City of Tulsa.

Using these assumptions, we calculate that the Tulsa Remote program will generate roughly $6.1 million in local spending in an average year. This spending will ripple through the economy, supporting businesses and their suppliers. Local businesses and suppliers will need to hire additional employees to keep up with the new demand. These additional employees will subsequently spend their earnings locally, resulting in even more economic impacts.

At face value, these direct-to-remote worker incentives may seem cost-prohibitive to many communities. However, the economic impacts that ripple through the local economy make the return on investment clearer. These incentives bring outside dollars, in the form of remote workers’ earnings, that otherwise would not flow through the local economy absent the incentive.

Total New Household	Spending	% Spent Locally	New Households	Total Spending
Food	$6,594	70%	320	$1,477,056
Household furnishings and equipment	$1,465	70%	320	$328,160
Apparel and services	$1,144	70%	320	$256,256
Transportation	$8,300	70%	320	$1,859,200
Healthcare	$4,497	70%	320	$1,007,328
Entertainment	$2,027	70%	320	$454,048
Personal care products and services	$634	70%	320	$142,016
Education	$595	70%	320	$133,280
Other	$1,823	70%	320	$408,352
Total annual spending	$26,719			$6,065,696

Conclusion

Direct-to-remote worker incentives have gained popularity in recent years, especially since the onset of the pandemic. These incentives can be powerful workforce development tools to invigorate the local economy and build a resilient workforce. Establishing a foundation of remote workers in your community can facilitate the development of high-tech, high-skill industry clusters often associated with remote-work positions. The economic impact of these incentives injects external dollars, in the form of earnings, into the local economy. “Net new” households to the community will not only bring new dollars, but also expand and diversify the local tax base.

As communities throughout the U.S. continue to develop and refine these programs, the impacts will likely continue to expand in significance. To ensure the successful implementation of these incentive structures, communities must prioritize establishing a sense of place. These incentives effectively get people to move, but it is up to the communities to keep them. Thorough placemaking strategies can work synergistically with these incentive programs to strengthen the connection between new residents and the communities that they call home. The value of these incentives is often diminished after the first year, meaning communities must focus on retaining talent outside of the incentive. Rejuvenating downtowns, historic buildings, and streetscapes, while concurrently improving the local business environment and quality of life, are all components of strategic placemaking. Alongside more comprehensive economic development strategies, direct-to-remote worker incentives can be a powerful tool to capture the national shift towards remote work.

GENESEE/FINGER LAKES
Regional Planning Council

QUESTIONS?
Connor Hartnett
G-FL Economic Recovery Coordinator
Connor.Hartnett@mrbgroup.com
(585) 381-9260 x245