Vermont Legislative Research Shop

Attracting and Retaining Businesses in Vermont

When compared to models that utilize subsidy strategies, entrepreneurial strategies usually produce more equitable distributions of income (Saiz and Clarke, p. 437, 2008).

Example: North Carolina

North Carolina focuses on *productivity* as the key that drives economic expansion by generating quality jobs, stimulating investment, and improving businesses' bottom-lines. A productive economy also produces more goods and services at competitive prices, strengthens the export base, attracts competitive companies, increases local investment, and promotes sustainability by competing on innovation and quality rather than low-costs alone. "Most importantly, productivity growth can contribute to economic prosperity by increasing employment and wages" (Cole, p. 1, 2008).

North Carolina's Department of Commerce Division of Policy, Research, and Strategic Planning identified four primary ways in which economic development efforts support productivity growth in North Carolina. These include: 1) workforce training; 2) business process innovation; 3) technology adoption; and 4) business recruitment.

1. **Workforce Training:** A highly skilled workforce is essential for businesses attempting to increase productivity and determine a business' ability to adopt new technologies and process innovations. The North Carolina Community College System (NCCCS) is a major proponent of workforce training for the state working wor5z0imz

4. **Business Recruitment:** Strategically targeted recruitment efforts help increase productivity levels if they are more productive than existing businesses in that industry. When highly competitive companies are recruited to the state they bring new best practices with them that other companies learn from and replicate. Companies may be strategically targeted to expand export industries or to fill gaps in the local supply-chain, strengthening the economy by ratcheting up North Carolina's competitiveness, exerting pressures to improve productivity in return (Cole, p. 4, 2008).

Location-related Incentives

Location-related incentives "seek to reduce the costs of doing business in relation to other locations; they may be aimed at attracting businesses that wish to relocate, retaining those tempted by other states to relocate, or encouraging existing businesses to expand in place" (Saiz and Clarke, p. 422, 2008). These policies aim to make communities competitive locations for industry, based on the "economic location theory, which suggests that, other things being equal, firms will seek those locations where the combined costs of land, labor, capital, energy, and transportation are minimal" (Weber 1984; Saiz and Clarke, p. 428, 2008). Location-related incentives use tax credits, deferments, exemptions, abatements, industrial revenue bonds, as well as fostering a business-friendly environment.

Infrastructure Strategies

Infrastructural strategies "emphasize the construction and maintenance of physical infrastructure such as roads and highways to encourage and support development" (Saiz and Clarke, p. 422, 2008). "The term infrastructure now signifies a concern with both technological systems of physical facilities and the roles, particularly the economic role, these assets play in future growth and development" (Saiz and

The states that were ranked in the top five for business cost included one of those located in the top ten for overall top ranking: North Carolina. Business costs were measured by comparing costs of labor, energy, and taxes. Vermont ranked forty-third for business cost. When analyzing the strategies for North Carolina in a study that compared trends directed toward entrepreneurial, location-related, and infrastructure-related strategies, its overall economic development efforts seemed to be directed at entrepreneurial strategies from 1998 through 2002 (Saiz and Clarke pp.427-435, 2008).

The states that were ranked in the top five for labor included three of those located in the top ten: Washington, Colorado, th[illegible] directed through [illegible]

Microenterprise Development

Microenterprise development strategies are aimed at small-scale entrepreneurs in need of less than $35,000 as start-up money, usually assisting clients at or below the 150 percent poverty line. These entrepreneurs usually have businesses with fewer than five employees, and are in industries such as textile, arts and crafts, jewelry making, day care, computer technology, and other businesses that are service related. More than half of these businesses are run out of the owner's home. Microenterprise development strategies include consulting and funding. Business education and training provides technical training, peer-networking, and mentoring (Pulsipher p. 1, 2004).

Funding usually comes in the form of micro loans, which are usually for under $35,000, have market interest rates, and are short term loans. Lending is usually done through separate, private credit programs. Results have been positive with this the state economic backbone. “Everyday entrepreneurs” are business owners without any formal business experience. This lack of expertise can be a disadvantage when juggling a business that requires informed decision-making. While this partnership looks promising, it has not been running long enough to evaluate.

Enterprise Zoning

Enterprise zoning is a popular strategy that many states have adopted to attract business investment to economically distressed areas. The goal of these programs is usually “the ultimate increase of the well-being of the communities and families inside the zone” (Pulsipher 2005, p. 2). They function as “zone-based initiative programs,” and usually involve a set of tax incentives (Pulsipher 2005, p.1). Connecticut2_01Tfp_01Tf0Tc4.090Td<0037>Tj/TT01Tf-0.n360Td<0.0028Tc0.3050T employ a location-related incentive strategy—no local jobs were created, and the multiplier effect was minimal (Saiz and Clarke p. 428-429, 2008).

Example:

This report prepared in response to a request from Senator John Rodgers by Emelie Bailey, Anna Isaacson, and Laura Eddy under the supervision of Professor Anthony Gierzynski on April 2, 2009.

Disclaimer: This report has been compiled by undergraduate students at the University of Vermont under the supervision of Professor Anthony Gierzynski. The material contained in the report does not reflect the official policy of the University of Vermont.