Worker Incentives Gaining Popularity in Midwest, But Still Rare in Wisconsin

As remote work becomes more prevalent, more communities are offering financial incentives to workers to entice them to relocate. These programs appear to be surfacing most frequently in Midwest states, but thus far, in relatively few Wisconsin communities. While it may be too soon to evaluate the merits of this approach, the demographic and workforce challenges pushing communities to consider it are only likely to mount.

For decades, programs that offer public dollars to businesses as incentives to create jobs have played a prominent role in state and local economic development strategies. Now a new approach has begun to gain popularity: offering incentives to individual workers instead.

Such incentives are often, though not always, aimed at enticing workers untethered to a specific location who work remotely, most of whom are employed in higher-earning white-collar occupations. Some incentives are paid in cash, while others come in different forms.

Our research looking at the national landscape finds Midwest states have the most communities offering these incentives. The demographic headwinds and labor shortages affecting many parts of the Midwest may make them more willing to experiment with novel policies to reverse or at least blunt those trends.

Compared to its Midwest peers, however, Wisconsin has been slower to embrace this approach. But at least one Wisconsin community, Fond du Lac County, recently began offering worker relocation incentives; another, the city of Merrill, is offering financial incentives for new housing construction to individuals and families as well as developers – including current and new residents alike. City of Milwaukee officials also are exploring the possibility of creating a worker relocation incentive.

Like other economic development incentives, this approach can be controversial since it targets benefits to a relatively small number of individuals in a community – while potentially delivering minimal benefits for the population as a whole. We weigh some of the pros and cons in the conclusion of this report.

Yet, notwithstanding one's views on the merits of such programs, the challenges they are intended to address – shortages of qualified workers caused by stagnant or declining populations or broader economic circumstances – are projected to mount in the coming years.

That may make state and local policymakers more likely to consider these incentives, as well as other outside-the-box policies, in the years to come.

Most programs are in the Midwest

A Forum analysis found at least 71 communities or groups of communities nationally with worker relocation incentive programs offering $1,000 or more in cash, or other incentives of significant value. As Figure 1 on page 2 shows, the majority of these (43, or 61%) are located in Midwestern states.

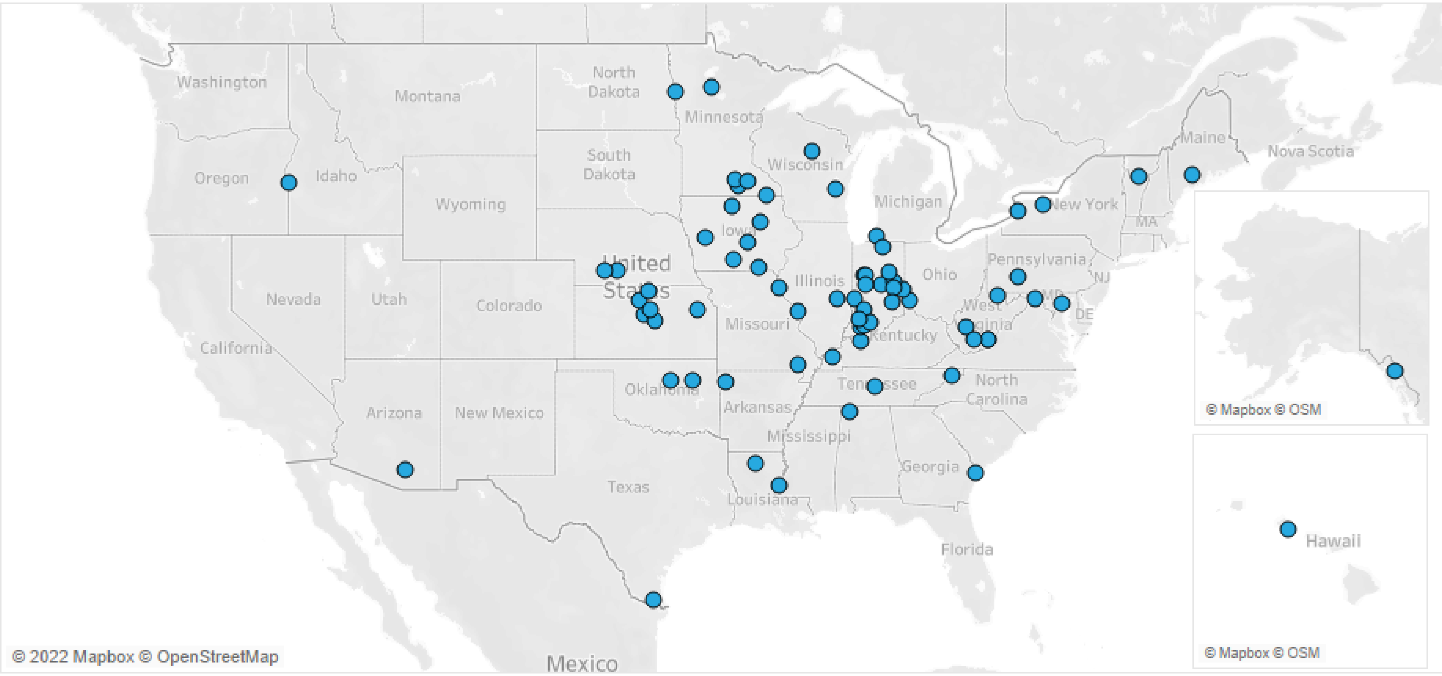
This analysis was based in part on information from MakeMyMove.com, an online marketplace for remote workers to browse communities willing to provide incentives to relocate.

These programs are established and administered locally across 29 states. A few states, including Indiana, Vermont, and West Virginia, have statewide programs or models for their localities to enact worker relocation incentives.

In most cases, these incentives are provided for workers who agree to relocate to the community from out of state to live and work there for a minimum period of time, along with other conditions. The incentive could be a cash payment, with amounts ranging from $1,000

Figure 1: Worker Relocation Incentives Clustered in Midwest

Selected* location of worker relocation incentives; mouse over to view incentive



Source: Wisconsin Policy Forum research and MakeMyMove.com. *NOTE: this list is not comprehensive. Includes only worker relocation incentives of at least $1,000.

to $15,000, or an amount that can be applied toward the purchase or construction of a home or toward a down payment or student loans. Other communities offer incentives of property, such as a land lot.

Many of these programs have been enacted in recent months, as the idea has spread and the COVID-19 pandemic has supercharged adoption of remote work in many white-collar occupations. As the pandemic has receded from a leading role in daily life, surveys and other data show many employees wish to maintain options to work remotely.

Programs in Oklahoma, Indiana

Perhaps the most widely publicized, and among the most successful, of these programs launched pre-pandemic: the Tulsa Remote program in Tulsa, Oklahoma. It offers a $10,000 grant to non-Oklahoma residents working remotely for companies based outside the state, who agree to relocate and live in the city of Tulsa for at least one year.

Additional benefits are provided, such as a free membership at a downtown Tulsa co-working space. Funding for the program is provided by the Tulsa-based George Kaiser Family Foundation. As of Nov. 1, it reportedly had helped bring more than 2,000 workers to the city.

In the Midwest, the state that has perhaps most aggressively pursued adoption of these incentives is Indiana, where at least 16 communities or groups of communities have programs offering them.

A recently enacted Indiana state law authorizes communities to "establish a workforce retention and recruitment program for the purposes of recruiting and retaining individuals who will satisfy the current and future workforce needs of the unit's employers or provide substantial economic impact." Potential tools to do this specified in the law are "providing incentives in the form of grants or loans to qualified workers."

Wisconsin communities explore incentives

In Wisconsin, local leaders in Fond du Lac County and the city of Merrill are administering two very different incentive programs that they hope will help lure workers and residents to their communities.

The Fond du Lac County program differs from most of the programs analyzed in this report: it is not designed to attract remote workers, but rather to assist local brick-and-mortar employers to recruit workers; it requires employers, not individuals, to apply for the incentive; and it involves a 50-50 funding partnership model with public funds leveraging private dollars from employers. However, as noted in the adjacent text box, the future of this program now appears uncertain.

Meanwhile in Wisconsin's largest city, Milwaukee, there is talk of adopting some form of relocation incentive for remote workers. Milwaukee Mayor Cavalier Johnson has advocated a stronger push by the city to lure remote workers. As Common Council President, he sponsored a resolution that led to the release earlier this year of a report from the Department of City Development. It recommends providing "direct incentives" among a list of strategies to lure remote workers.

The report calls for creating a pilot program that provides cash relocation incentives and a welcome package with other perks, with the total number of awardees capped to limit the cost. Additional incentive options cited in the report include down payment assistance or a reduced price on city-owned houses. It also suggests concentrating on sectors in which the metro region has a shortage of workers, focusing on mid-career talent -- an age group that Milwaukee companies struggle to attract -- and working with local companies to help recruit and incentivize their remote workers to move to the city.

WISCONSIN PROGRAMS

Fond du Lac County is offering a 50% match for employers to provide an incentive of up to $15,000 to workers who move from outside the county. If approved, the employer funds 100% of the incentive cost upfront and may seek reimbursement following a 12-month period of continuous, concurrent residency and employment for the worker.

There are no minimum salary requirements for incentive recipients, but the county recommends employers set the incentive amount based on the employee's salary and whether they rent or buy a home in Fond du Lac County. The funding source is a portion of the county sales tax dollars that were earmarked for economic development projects.

The program began in September. As of November, the county reported the program had attracted 15 new workers with a total payroll of $1.2 million at a cost that is as-yet unknown to the county.

Notably, local officials in Fond du Lac County recently said the worker relocation incentive program is being re-evaluated and is not presently accepting new applications. They anticipate an update on the program's future in early 2023.

The city of Merrill is offering incentives to current and new residents alike to construct new housing in the city. The incentive amount is $10,000 for a single-family home, paid to the individual upon construction and occupation of the home.

Originally offered to developers, the city recently extended the incentive program to individuals and since has seen three individuals use it, according to the Lincoln County Economic Development Corp.

Conclusion

Some of the most widely publicized worker relocation incentive programs have helped their communities draw national attention and may have helped them as well in the race to attract skilled workers. At the same time, however, it may be worth questioning the extent to which this success is replicable for other communities.

Having launched in 2018, Tulsa Remote may have enjoyed a first-mover advantage in garnering media attention and appealing to remote workers nationally. It may be difficult for other communities to recreate this. Tulsa also had the benefit of having an outside foundation fund its program – this approach will not be available for many other communities.

To gauge the success of such programs, the key questions will include how much they cost, how they are funded, and what sort of long-term return they offer to community residents and taxpayers. The smaller the incentive, the less likely it will provide a meaningful impetus for a worker to relocate when he or she otherwise would not have. Yet the larger the incentive, the longer it will take for communities to recoup their initial cost and the less likely it will be that they do so in a given case.

In addition to their local economy and labor market, part of the calculation for local officials includes what taxes exist in their community to recoup their investment. For example, some municipalities in other states have local sales and income taxes in addition to property taxes that can provide revenue from a relocated worker to defray the cost of the incentive. In Wisconsin, municipalities have only the local property tax, though most counties do have a local sales tax as well.

In addition, while financial considerations loom large for workers in considering where to live, so too do amenities and cultural and other considerations. For many, these may be factors that financial incentives – at least in the amounts analyzed in this report -- cannot offset.

If local leaders in Wisconsin weigh whether these incentives make sense for their own communities, they must consider whether they deliver an acceptable return on investment of public or philanthropic dollars, particularly relative to other potential uses.

Proponents tout these incentives as an opportunity for struggling communities to take advantage of changing workplace norms to tap into the types of workers who have flocked elsewhere in recent decades. States or regions that offer relatively low costs of living but high quality of life – like many in Wisconsin – may have particular opportunities to attract workers through these incentives, as well as by more traditional means.

Critics may question the frequency with which these incentives are the deciding factor in a worker's choice to relocate and whether a sizable share of them will go to workers who would have moved into the community anyway.

In addition, state policymakers may wish to consider taking steps to prevent Wisconsin communities from using public dollars to compete against each other to attract workers.

Ultimately, there's little question the rise of remote work and an extraordinarily tight labor market have raised the stakes in the race to attract workers. More than ever, communities must proactively make their case to existing and prospective residents about why they are the best place to build a future. All communities would be well advised to revisit and refine their strategies and tactics for making that case and attracting and retaining a new generation of workers and residents.