

This letter was written at the request of Jeffrey Finkle and sent to the NPR ombudsman.

Statement from the Greater Houston Partnership (GHP):

The 70,000 jobs attributed to GHP's efforts over the past five years include direct, indirect and induced jobs. GHP uses a model based on multipliers from the U.S. Bureau of Economic Analysis' Regional Input-Output Modeling System (RIMS-II). Other communities use commercial models, such as IMPLAN and REMI. All of these models hold up under scrutiny from the academic community. The multipliers, and thus the impacts, vary by region and by industry. In Houston, the multiplier is as low as 1.8 in some service industries and as high as 10.0 in some manufacturing industries. We run our RIMS-II model for each project based on the industry in which it operates.

Next let's address the math used to determine GHP's impact on job creation in the region. The broadcast notes that GHP's efforts resulted in 70,000 net jobs over five years, or 14,000 jobs per year. The broadcast measured that against existing jobs in the economy when it should have been measured against jobs created over the same time frame. To make the math simple, the Houston economy creates 50,000 to 60,000 new jobs in a typical year, more in boom times, less in lean. The 14,000 jobs equates to 23 and 28 percent of the jobs created in a typical year.

Tax burdens are not the primary reason why corporations leave one locale for another. More than likely, a combination of reasons come into play:

- change in corporate leadership,
- need to be closer to customers,
- access to a region's talent pool
- opportunities to tap research at local universities
- proximity to supplies of raw materials
- need to modernize plant and equipment

- better access to port, rail, highway or airport facilities,
- benefit from industry-specific infrastructure
- prestige of being in a certain locale
- need to be in a locale surrounded by peer companies

Usually a combination of factors affects the relocation or expansion decision. Economic developers are challenged to identify and weight those factors to best position their community to best meet the company's needs.

You need to be aware that expansions, start-ups and foreign direct investment account for more jobs than relocations in the economic development process. Expansions involves working with companies in a growth mode and channeling their plans for growth into your community. Startup work involves identifying companies launching new ventures and convincing their new venture has a better chance of succeeding in your community than anywhere else. Foreign direct investment involves courting foreign-owned companies seeking to enter the U.S. market and convincing them that your locale is the best place to do that.

The broadcast noted there are 240,000 unemployed in Houston and calculated GHP's success rate against that number. There are always unemployed in Houston or any other region as workers change jobs, quit jobs, employers restructure, etc. In a typical year, Houston has about 120,000 unemployed regardless of the health of the economy. The difference between the two numbers—120,000—reflects more accurately the number of Houstonians who lost their jobs during the recession. The impact of the 70,000 jobs attributed to GHP's efforts would be better measured against that number.

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