Do Enterprise Zones Work?

An Ideopolis policy paper

Andrew Sissons with Chris Brown

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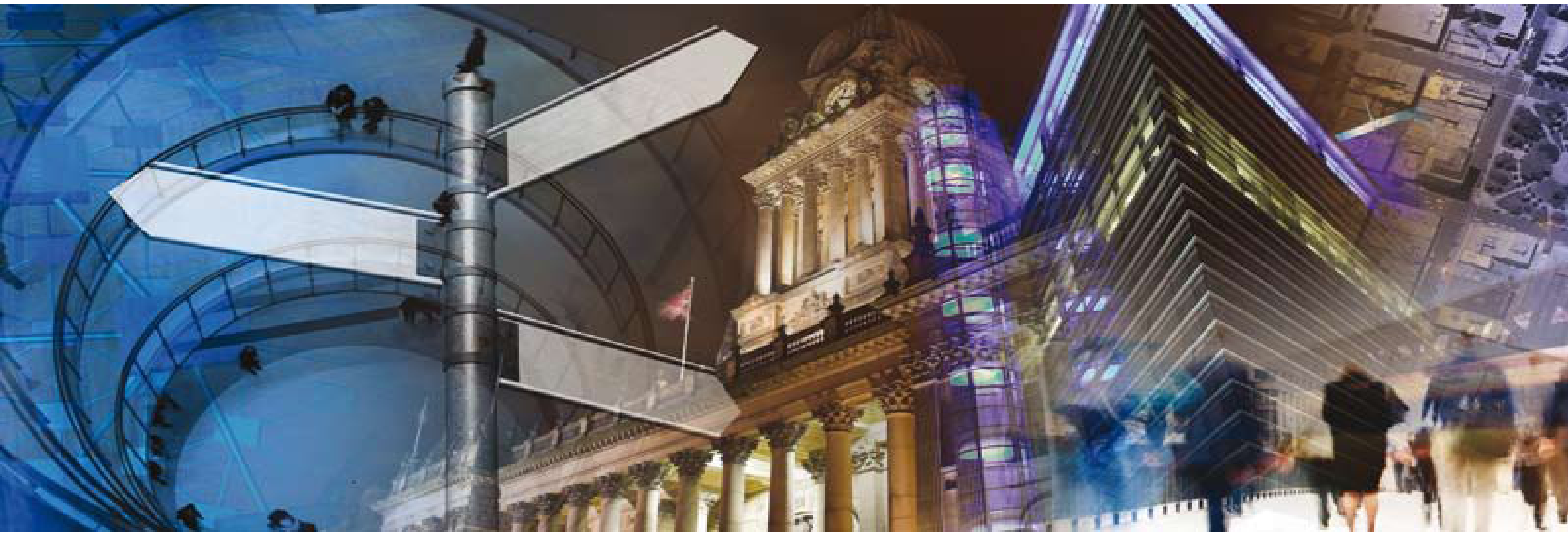

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Headlines

Enterprise Zones are being trailed as a quick-fix solution for the UK economy, which can play a decisive role in accelerating the recovery. Proponents of Enterprise Zones claim that they can create jobs in depressed areas, while moving the UK towards an investment-led economy.

However, evidence suggests that Enterprise Zones – or any policy which offers tax breaks or incentives to businesses in concentrated areas – are likely to be **ineffective at stimulating sustainable economic growth** in depressed areas. This does not just apply to the UK's experience of Enterprise Zones in the 1980s – any attempt to redesign the Enterprise Zones for the 21st Century is likely to be equally ineffective.

Enterprise Zones have a number of weaknesses, including:

- Most of the jobs created in Enterprise Zones are displaced from other areas. Evidence from previous Enterprise Zones suggest that up to **80% of the jobs they create are taken from other places**;
- Enterprise Zones do **very little to promote lasting economic prosperity**. Most Enterprise Zones create a short-term boom, followed by a long-term reversal back into depression; and
- Enterprise Zones are hugely expensive. Evidence from the 1980s suggests that Enterprise Zones cost at least **£23,000 per new job** they create.

The main advantage of Enterprise Zones is that they stimulate rapid investment from businesses in the short term, and create a burst of momentum that normally lasts up to three years. The relaxation of planning regulations offered by Enterprise Zones is also much more cost effective than tax breaks.

If government is to implement a new wave of Enterprise Zones, it must:

- Consider making Enterprise Zones bigger, so that they do not take jobs from within the same towns;
- Accompany Enterprise Zones with targeted investments in skills and infrastructure, to ensure that they lead to lasting improvements in competitiveness; and
- Ensure that Enterprise Zones are supported by local communities, and are not governed in a way that is incompatible with localism.

Enterprise Zones are short-term measures to incentivise firms to move to particular areas – a better strategy is to focus on the underlying drivers of growth. If planning decisions are a problem, they should be improved more generally and not just relaxed in a limited area. Such efforts will be short-lived and are likely to prove ineffective.

1. Introduction

Enterprise Zones look set to make a return to the UK, as part of the Government's growth strategy due to be unveiled in the Budget next month[1]. The revival of the 1980s Enterprise Zones policy is likely to be one of the Coalition's flagship growth policies, a key part of the Government's efforts to rebalance the recovery.

The Government will be hoping that Enterprise Zones help to stimulate investment and job creation in depressed areas as part of an investment-led economic recovery that reaches all parts of the country. The rationale for Enterprise Zones appears obvious: the aim is to attract businesses and investment to deprived areas by offering a range of temporary incentives to companies locating within the zones. These incentives can range from tax breaks and investment subsidies to fast-track planning regulations, and are designed to encourage businesses to establish premises and create jobs within the Enterprise Zones.

However, this reasoning underestimates the scale of the challenge in the UK's most deprived areas. Stimulating and sustaining growth in the weakest local economies requires more than offering tax breaks and shortcuts to businesses. Evidence from past Enterprise Zones, in the UK and around the world, suggests that their success has been mixed. While Enterprise Zones usually create an initial rush of investment into their target areas, this early success has all too often been followed by a steady decline in employment opportunities.

This paper examines the concept of Enterprise Zones, drawing lessons from past experience before setting out recommendations for the government to consider when designing the forthcoming crop of Enterprise Zones.

2. What are Enterprise Zones?

Enterprise Zones are areas of land that offer a range of benefits to businesses, with the aim of attracting new businesses to an area, or promoting investment from existing businesses. These zones can vary in size, from individual business parks to whole cities or regions. The range of incentives on offer may include:

- Relief on local business rates;
- Reductions in corporation tax or National Insurance contributions;
- Tax credits or capital gains allowances on investment in capital assets and premises;
- Relaxation or fast-tracking of planning processes, to make construction of premises cheaper and quicker; or
- Capital expenditure subsidies.

[1] For example: Jim Pickard and Elizabeth Rigby (2011) Enterprise zones architect predicts localism clash, *Financial Times,* 6th Feb 2011.

The incentives offered by Enterprise Zones are temporary – typically available for around 10 years – so that the subsidies on offer do not become permanent rents for businesses. This means that, to achieve lasting benefits, Enterprise Zones must enable places to become competitive business locations, so that they can retain companies after the benefits have ended, and attract more business in the future. The extent to which Enterprise Zones benefit places in the long term is open to debate, and is a central theme to this paper.

The UK's Enterprise Zones, created between 1981 and 1996, were mainly concentrated in areas of post-industrial decay on the edge of towns and cities. The zones were relatively small[2] – less than 0.5 km^2 – and often included contaminated land, or sites previously used for heavy industry. The prospect of a new phase of Enterprise Zones in the UK leads us to consider how they have been implemented in the past and how effective they have and or can be.

3. What is the evidence from previous Enterprise Zones?

3.1. The UK's Enterprise Zones

The evidence from UK Enterprise Zones paints a picture of limited success.

On the one hand, significant numbers of jobs and companies moved in to Enterprise Zones. By 1987, there were over 4,300 companies in the 11 original Enterprise Zones[3], with an estimated 63,300 jobs created in Enterprise Zones.

However, of these 63,300 jobs, only 13,000 were estimated to be new jobs[4] – in other words, 80% of jobs created by Enterprise Zones were displaced from other areas. Many of these jobs were displaced from within the same town – estimates range from 25% of jobs displaced from within the same town[5], to 86% of firms relocations within the same county.

Further, evidence from a survey of companies that located within Enterprise Zones suggested that only around 25% of new jobs were attributable to the Enterprise Zone designation[6]. The incentives offered were cited as only the third most important factor attracting firms, behind site characteristics and market access. This evidence led Papke[7] to conclude that:

"… there is remarkable agreement across studies that the British zone program has failed in its goal of generating new industrial activity."

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[2] UK Enterprise Zones were up to 450 hectares (450,000 m^2) according to Potter and Moore (1999): *UK Enterprise Zones and the Attraction of Inward Investment*

[3] Roger Tym and Partners (1984). Quoted in Papke (1993) *What do we know about Enterprise Zones?*

[4] Department for the Environment (1986)

[5] Potter and Moore (1999): *UK Enterprise Zones and the Attraction of Inward Investment*

[6] Papke (1993) *What do we know about Enterprise Zones?*

[7] Ibid.

Most striking of all is the cost of Enterprise Zones within the UK. A government-funded evaluation in 1987 put the cost of Enterprise Zones at **£23,000 per new job**[8], with an estimate for the original 11 Zones putting the cost at £45,000 per new job[9].

3.2. Enterprise Zones outside the UK

Aside from the UK's experience during the 1980s and 1990s, there is a considerable body of evidence on the impact of Enterprise Zones in other countries, particularly the USA. A full detailed presentation of this evidence can be found in appendix A.

The state of California has operated a wide-ranging Enterprise Zones programme that is now coming under serious scrutiny from policy makers. A report into the impact of Enterprise Zones in California found that the net cost of Enterprise Zones to the state had risen to **$299.3 million** by 2003, up from $15.6 million in 1993[10]. Moreover, when compared against non-EZ control zones,[11] they appeared to underperform or marginally worsen instances of employment, poverty and economic change.

Further evidence from across the USA offers little encouragement. With Enterprise Zones established in fourteen other states, most evaluations are resoundingly negative, with similar evidence of minimal growth or ineffectual policies.[12]

4. What lessons can we draw from previous Enterprise Zones?

Past experience suggests that the impact of Enterprise Zones is ambiguous at best. On the surface, Enterprise Zones appear to stimulate rapid job growth within concentrated areas of deprivation. However, this job growth often comes at the direct expense of other areas, and has frequently proven to be unsustainable beyond the life of an Enterprise Zone.

This section sets out a series of lessons from previous Enterprise Zones that are relevant to the current policy debate.

4.1. Enterprise Zones can attract investment quickly

Enterprise Zones provide a strong mechanism to attract and nurse significant business investment into a targeted area within a short space of time. During the 1980s, this effect was used in response to the closure of major industrial sites (such as the steel industry in Corby). In the current context of an unsteady recovery, and a high unemployment rate, the ability to attract investment quickly into areas threatened by a rapid rise in long term

[8] PA Cambridge Economic (1987). Quoted in Papke (1993) *What do we know about Enterprise Zones?*

[9] Schwarz and Volgy (1988) Experiments in Employment: A British Cure; Saving Jobs by Decree Can Kill an Industry; Saving Companies by DesignCan Rescue an Industry

[10] California Budget Project (2006) *California's Enterprise Zones Miss the Mark*

[11] From 1980 to 1990 poverty rates measured through regression analysis showed that in non EZs this marginally reduced, whereas in EZs it marginally increased. In sum, little change occurred. Greenbaum and Engberg, 2000, An Evaluation of State Enterprise Zones Policies

[12] States in the USA with EZs: New Jersey, California, Kentucky, New York, Pennsylvania, Virginia, Florida, Indiana, Kentucky, Connecticut, Georgia, Maryland, Mississippi and Texas.

unemployment could prove effective. However, many Enterprise Zones have experienced brief booms in investment, followed by a reversal over the following years.

Canary Wharf: a success story for Enterprise Zones?

Among the Enterprise Zones of the 1980s, by far the most successful was Canary Wharf in the London Docklands. The Docklands area had fallen into decay following London's decline as a port, losing 150,000 jobs in 10 years. In response, the London Docklands Development Corporation (the first urban regeneration company) was formed in 1980, and the Isle of Dogs was designated an Enterprise Zone in 1982. These interventions stimulated significant investment in the area, with Canary Wharf becoming the site for a brand new financial services hub in east London.

On the surface, Canary Wharf appears to represent a major success story for Enterprise Zones. However, it is likely that the efforts to regenerate the area had a far more significant impact than the Enterprise Zone designation. Canary Wharf already had high levels of latent demand, and the key obstacles to job creation were contaminated land and a lack of infrastructure. In particular, the creation of the nearby Dockland Light Railway (DLR) at an initial 'shoestring' cost of just **£90m** was a defining factor, linking Canary Wharf to the centre of London.

By 1993, a year after the Enterprise Zone designation expired, Canary Wharf had a working population of just 7,000, compared to 90,000 today. The easing of planning regulations may have helped accelerate the growth of Canary Wharf, but it seems likely that the investment in regeneration and infrastructure proved more significant than the tax breaks offered by the Enterprise Zone.

4.2. Most of the jobs created by Enterprise Zones are displaced

By their very nature, Enterprise Zones are designed to artificially favour some places over others, in the hope of stimulating weak local economies. Because Enterprise Zones are geared towards businesses relocating, many businesses move into Enterprise Zones directly from other areas. According to a 1987 government evaluation[13], only 13,000 of the 63,300 jobs created in Enterprise Zones were new jobs, with the remainder displaced from other local areas.

The relatively small size of the Enterprise Zones in the UK meant that, in many cases, Enterprise Zones displaced jobs displaced from within the same town – a 1999 study[14] suggested that around 25% of new jobs in Enterprise Zones were displaced from *within the same town*. This type of local displacement risks seriously destabilising local economies, as it involves artificially enticing businesses into less competitive areas within towns.

In subsidising existing businesses to move locations, Enterprise Zones may also be artificially inducing firms to locate in economically inefficient locations. Evidence suggests that firms pay more to locate in certain locations as they gain from doing so – for example, many firms locate within expensive, dense urban areas do so because there is a market

[13] Department for the Environment (1986). Quoted in Papke (1993) *What do we know about Enterprise Zones*
[14] Potter and Moore (1999) *UK Enterprise Zones and the Attraction of Inward Investment*

rationale for doing so. Other firms may benefit from proximity to transport infrastructure or attractive amenities. By subsidising firms to locate away from where they would normally locate, Enterprise Zones distort these market signals and may impose an even higher cost on the economy than is immediately apparent.

4.3. The benefits of Enterprise Zones are often short-lived

Enterprise Zones must, by their nature, be temporary – offering permanent tax breaks to businesses would introduce long-term distortions to the economy. But the temporary nature of Enterprise Zones meant their benefits can often be short-lived.

Enterprise Zones can generate initial momentum in concentrated areas, but if this momentum is to be sustained, it must lead to an improvement in the area's underlying competitiveness. Inward investment tends to be less "sticky" (i.e., more prone to move away again in future) than investment by indigenous businesses. Artificially stimulating inward investment that leaves once the incentives have passed will do little for disadvantaged areas in the long term.

The goal therefore has to be for Enterprise Zones to make the investment they attract more sticky. This is likely to be easier in industries with large sunk costs – investments that companies cannot recoup – because the firm's initial investment decision binds it to the site for a longer period.

More important, and more challenging, is harnessing the short term boost that Enterprise Zones provide to make the area more competitive as a place to do business. If Enterprise Zones can be used to incubate business areas while their infrastructure improves, or they attract a critical mass of skilled workers or complementary firms, they can help areas to boost their long term prospects. However, achieving this is most likely to depend on the measures used to support Enterprise Zones, such as infrastructure investment and skills support.

By attracting initial commitments and investment from businesses, Enterprise Zones may be able to attract support and funding from other areas, such as Local Authorities, infrastructure developers and other businesses. If this momentum can be harnessed to address underlying issues within the area, such as availability or mobility of labour or improved infrastructure, it may lead to lasting benefits. Evidence suggests that this initial momentum endures for 2 to 3 years, despite the 10 year horizons for Enterprise Zones[15]. Moreover, much of the initial momentum may say as much about the stimulation of community spirit as it does about the impact of an Enterprise Zone.

4.4. Tax breaks are not the most effective way to stimulate job creation

There is also a more fundamental question about whether tax breaks for businesses have a significant impact on business investment decisions. The early signs from the National Insurance holiday for new businesses outside the south east highlight this concern: six months into one of the government's key regional growth initiatives, only 1,500 businesses have signed up for the scheme, against an expected total of 400,000 in the first year. While it

[15] O'Keefe, S, 2004, *Job creation in California's enterprise zones: a comparison using a propensity score matching model*

might seem obvious that lower taxes boost business – and it is almost certain that having a competitive long term corporate tax regime is important – it is far from clear that short term tax breaks have a significant impact.

So why might tax breaks be ineffective? One possibility is that, among small firms, the biggest concern is about making a profit in the first place, and the risks associated with achieving that, rather than about tax on revenues or profits.[16] For smaller businesses, questions about rent, skilled workers and access to markets are likely to be more significant than the tax burden. Of course, tax relief on investment (such as capital allowances) and employing staff (such as National Insurance breaks) are likely to reduce business costs in those areas.

At the level of individual workers, tax breaks (such as National Insurance holidays) could have a long term negative effect. Once the initial momentum created by Enterprise Zones wanes, and short-term incentives for hiring individual workers expire, the prospects for a worker to achieve salary increases become limited. This can encourage more rapid churning of the labour force, as employees become dissatisfied, and firms increase staff turnover to gain new tax credits.[17]

4.5. Enterprise Zones may discourage the knowledge economy

The incentives offered by Enterprise Zones are generally designed to stimulate investment in tangible assets, such as plants, offices and machinery. The focus of Enterprise Zones tends to be on attracting businesses into an area, and committing investment in physical assets.

However, the UK's economic growth and job creation is now primarily driven by the knowledge economy. The knowledge economy is characterised by major investment in intangible assets, such as R&D, software, design and branding. These intangibles assets are key to driving UK innovation and sustaining the UK's competitive advantage.

UK businesses now invest more in intangible assets than tangible assets by a ratio of 1.6 to 1. But Enterprise Zones are unlikely to incentivise investment in intangible assets, instead favouring physical assets (both explicitly, through investment allowances, and implicitly, by focusing on business relocation). This may have an unfortunate implication: that Enterprise Zones do not promote the productive, knowledge-intensive growth that the UK depends on, but instead promote an outdated model of British enterprise.

4.6. Summary – are Enterprise Zones a Good Idea?

Both economic theory and past experience suggest that a new wave of Enterprise Zones will lead to mixed results at best. While Enterprise Zones undoubtedly have the potential to offer a temporary boost to carefully targeted areas, there is a danger that these initial effects could prove transitory and provide few lasting benefits.

The key advantages of Enterprise Zones can be summarised as follows:

- Attracting business investment into a depressed area quickly

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[16] California Budget Project, 2006, *California's Enterprise Zones Miss the Mark*

[17] Bostic and Prohofsky, 2006, *Enterprise Zones and Individual Welfare: a case study of California*

- Creating momentum within target areas
- Acting as a vehicle for improving competitiveness
- Overcoming market failures in local economies

There are four main lines of criticism that can be levelled at Enterprise Zones that explicitly undermine the advantages:

- Enterprise Zones displace large number of jobs from other areas, sometimes from within the same town;
- The temporary incentives offered by Enterprise Zones can lead to gains in investment and jobs being reversed once the scheme ends;
- Offering tax breaks – especially reductions in corporation tax – may not be a cost-effective way to stimulate economic growth; and
- Enterprise Zones may disadvantage the knowledge economy, which is key to the UK's economic future.

5. How should the new wave of Enterprise Zones look?

The analysis presented in this paper suggests that a new wave of UK Enterprise Zones are likely to be relatively ineffective, and extremely costly. A new wave of Enterprise Zones cannot just be redesigned to avoid these problems; these problems are inherent in any Enterprise Zones policy.

However, if the government can harness the momentum generated by Enterprise Zones to catalyse more effective policies, they could still make a contribution to economic rebalancing. In this section we set out a brief summary of our policy recommendations to the government.

5.1. Enterprise Zones must be the right size to minimise displacement

Small Enterprise Zones on the edge of towns often lead to large scale displacement of jobs. The new wave of Enterprise Zones must cover larger areas, or must be focused in places that do not directly compete with their surrounding areas. Of course, there is a trade-off between the size of the Enterprise Zone and its cost. The government must ensure that Enterprise Zones are large enough to be effective, without overstretching their budget. This may mean creating fewer Enterprise Zones, but focusing on securing lasting economic benefits from these interventions.

5.2. Enterprise Zones must address long-term competitiveness

The new wave of Enterprise Zones must be designed to promote long-term competitiveness within a place, as well as short-term investment. If Enterprise Zones are complemented with targeted investment in skills, infrastructure and regeneration, they can help depressed areas to return to prosperity. The key advantage of Enterprise Zones is the immediate momentum they generate, and wider measures to improve competitiveness should run simultaneously, to ensure that none of this momentum is lost before longer term measures take hold.

Maintaining the competitive market is vital to ensuring the long term purpose of an Enterprise Zone. If firms are predominantly relocating from nearby this is likely to destabilise the local economies and markets as job creation is only being shifted and displaced. It has been shown that creating an artificial market activity can result in a total collapse after the Enterprise Zone designation expires.[18] The retention of local business is also vital, something which Enterprise Zone incentives do not fully attest to. The potential problem is creating a skills gap, particularly if zones are designated in areas of significant social and economic distress.[19]

5.3. Governance or Localism?

If Enterprise Zones are to be effective, they must have clear governance arrangements that are free from conflict between local and national government. Concerns have been raised about the compatibility of Enterprise Zones with the government's Localism agenda. If Enterprise Zones are to be shaped by local communities, central government must offer each area real choice in the range of incentives it offers. However, if Enterprise Zones are to be centrally administered, it is vital that their effectiveness is not impeded by local planning laws. The fast-track planning element is one of the most useful features of Enterprise Zones; but it will not succeed without support from Local Authorities.

6. Conclusion: Focus on the basics, not the gimmicks

The media has focused on the impact of public sector cuts, but there is an urgent need for the government to focus on economic growth. The Coalition has stated that rebalancing the economy is an important priority over the next few years, and this rebalancing includes sharing prosperity around the UK.

However, there is a danger that the economic recovery will be weakest in those places which are already most deprived[20], threatening to perpetuate the cycle of deprivation and worklessness in those places. Any measure that can reverse this trend should be welcomed.

Unfortunately, Enterprise Zones are not the answer to these problems. Government should focus on the long-term drivers of economic growth: innovation, trade, skills, infrastructure and entrepreneurship. The recovery will be led by innovation, with a small proportion of high growth firms producing the majority of all jobs. The government needs to focus on these

[18] Office of Deputy Prime Minister, 2003, *Transferable Lessons from the Enterprise Zones*
[19] Ibid.
[20] Lee, N. et al. (2010) *No City Left Behind? The geography of the recovery and the implications for the coalition,* London: The Work Foundation.

long-term issues, rather than short term measures which are likely to move jobs around, and have little sustained impact on economic growth.

Appendix: Summary of Enterprise Zone evaluations

Author / Year / Journal	Enterprise Zone (EZ) Location(s)	Years of operation/Specific study years[21]	Incentive and Benefits Offered	Brief Evaluation of Success
Boarnet and Bogart, 1996, Enterprise Zones and Employment: Evidence from New Jersey, Journal Of Urban Economics, 40, 198-215	New Jersey 7 zones studied (10 overall in region)	1984- (1996)	• Generally tax benefits: • credits against state corporate business tax; • Reduced sales tax on purchases; reduced sales tax on retail sales.	• Econometric study showed no significant or positive change to employment. • Against regional changes of employment, the EZ' underperformed.
Bondonio and Engberg, 2000, **Enterprise zones and local employment: evidence from the states' programs, Regional Science and Urban Economics** 30, 519–549	California 29 zones[22] Kentucky 10 zones New York 19 zones	1986 - 1993 1983 -1993 1987 - 1993	• Non-specific- incentives tied to number of new jobs created in the zone and firms investment in the zones. • General tax incentives	Combined analysis: • Suggests an increase of 81 jobs in an EZ where 1000 employed prior to EZ. • Little impact on EZ employment rates compared to non-EZ. • Also (propensity score approach) EZ has a lower annual employment by 0.09 % points.

[21] The length at which EZs have operated varies according to each locations management and (non)renewal of the programme. In addition new EZs may have been implemented and included within the study's analysis.
[22] As of 1993 for each state

	Pennsylvania 52 zones	1983 - 1993		
	Virginia 24 zones	1984 - 1993		
O'Keefe, 2004, **Job creation in California's enterprise zones: a comparison using a propensity score matching model, <u>Journal of Urban Economics</u>** 55 (2004) 131–150	California 39 zones	1985- 2004	• Carrying forward of net operating losses; • state tax credits for qualified (lowest paid) employees; • tax credits for purchase of machinery; • In interest deduction for those loaning to EZ firms.	• Years 1-6 of EZ saw a 3% increase in employment annually (up 52,000 new jobs in 1995 & 1996) • After 3rd year it had negative impact on employment • $30m loss in tax revenue in 1995 and 1996
Greenbaum and Engberg, 2000, ***an* evaluation of State enterprise Zone policies, <u>Policy Studies Review</u>,** Summer/Autumn *2000* 1793	- California - Florida - New Jersey - New York - Pennsylvania - Virginia	From between 1983 and 1987-1990	State dependent but includes: • Subsidised labour and capital investments; • broad business incentives.	Focused on Manufacturing and Retail sectors: • Lower employment growth within the EZs. • Poverty rates and unemployment stay the same or worsen in EZs compared to non-EZ areas.
Bondonio and Greenbaum, 2007**, Do local tax incentives affect economic growth? What mean impacts miss in the analysis of enterprise zone policies, <u>Regional Science and Urban Economics</u>** 37 (2007) 121–136	10 state study: - California - Connecticut - Florida - Indiana - Kentucky - Maryland - New Jersey - New York - Pennsylvania - Virginia	1982-1992	General business and tax incentives.	• Reduced payroll per employee follows EZ implementation, • Minimal/insignificant improvement to unemployment or the housing market. • Failure to retain existing business/activity is a problem.
Greenbaum and Engberg, 2004, **The Impact of State**	- California - Florida	1984-1993	• Capital subsidies;	Based on manufacturing sector:

Enterprise Zones on Urban Manufacturing Establishments, **Journal of Policy Analysis and Management**, Vol. 23, No. 2, 315–339	- New Jersey - New York - Pennsylvania - Virginia		• In-kind benefits including technical assistance, infrastructure improvements; • Explicit labour subsidies	• Positive effect on new establishments but negative on retaining business. • Socio-economic indicators show increase in EZ population density. • Slight increase in poverty and unemployment levels.
Bostic and Prohofsky, 2006, **enterprise zones and individual welfare: a case Study of California, Journal Of Regional Science,** VOL. 46, No. 2, , pp. 175–203	California	1993-1997	Generalised description as previous	Study examining impacts on individual employee: • Seems to show in short term only an increase in employees' wages and adjusted gross income. • Strongly tied to incentives whereby a churning effect takes place. • Longer terms benefits dry out as firms seek to maintain the incentive benefits.
Neumark and Kolko, 2010, **Do enterprise zones create jobs? Evidence from California's enterprise zone program, Journal of Urban Economics** 68 (2010) 1–19	California	1992-2004	Primary incentives include: • state tax credit for hiring 'disadvantaged' employee =50% reduction to cost of hiring. • Income tax credit for sales or use taxes for machinery or parts for use within the zone • 5 year increase to carry forward net operating losses • Accelerated depreciation of depreciable property • Tax credit of 5% of qualified wages that low-income employees can	• Ranging from 1.2% reduction in employment to 1-3% short term increase (comparison with other analyses). • Appears to be a bias towards larger businesses who are better equipped to establish within an EZ. • Results show little diff between expansion of an EZ and control zone.

			claim	
Hanson and Rohlin, 2010, **The Effect of Location-Based Tax Incentives on Establishment Location and Employment across Industry Sectors, *Public Finance Review*** published online 19 December 2010	- Atlanta - Baltimore - Chicago - Detroit - Philadelphia - New York - Kentucky - Mississippi Delta - Texas	1995-2005	• Incentives to invest in capital, such as property that can be expensed; • Primarily wage tax credit.	• In the short term for the retail and service sector saw positive increase in share of establishments (0.16-0.30% points increase) However, this appeared to be at the expense of other firms less likely to benefit from the incentives.
Potter and Moore, 2000, **UK Enterprise Zones and the Attraction of Inward Investment, *Urban Studies*** 37: 1279	22 zones across UK including: - Tayside - Clydebank - Tyneside - Swansea - Corby - north-west Kent	1980(3)-1990(4)	• Exemption of property from local business rates; • enhanced capital allowance against corporation and income tax liabilities from property; • Exemption from Development Land Tax; • Simplified planning regime; • faster administration processes; • relaxed custom facilities criteria.	More positive stance in this paper focusing on inward Investment: • 185 inward investors accounting for 11,637 jobs. Of total employees in EZs • 35% establishments/28% employees located to EX ahead of other location • 23% establishments/9% employees of new company start-ups in EZs • Employment growth from inward investment 6.4% annually and retained employment growth of 5.1% annually. i.e inward investment has seen the best growth prospects in EZs