

# Policies for Creating and Keeping Jobs in California

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Policy efforts by California to spur or support job creation in the private sector include direct tax credits, grants and loans, and training and support for both entrepreneurs and workers. It is critical to ask which policies work and how well they work: to that end, we conducted a rigorous evaluation of existing research to determine which of 21 California programs offer convincing evidence of effectiveness at creating jobs. Three of the 21 policies evaluated show strong evidence for creating jobs or for increasing employment; these three programs are highlighted for this policy brief.

## What is the purpose of job creation policies?

While other states may attract business with cheaper labor and land—and with lighter regulations—California reaps benefits from keeping businesses in the state through attractive policies. With job creation programs, these benefits can outweigh the costs. The state’s ability to offer more and better job opportunities, which can also raise wages for other workers as people leave one job to seek another, creates higher labor demand. Retaining business also raises tax revenue for the state from both payroll and business income.

## Which California policies show convincing evidence of effectively creating jobs?

The **California Competes Tax Credit (CCTC)** is an income tax credit available to businesses that want to relocate to California or stay and grow in California. The program offers between \$150 and \$200 million in credits each year. Each CCTC-incentivized job in a census tract increased the number of individuals working in that tract by over two (Freedman et al. 2023). The awards also increased employment and payroll growth within California by as much as 30 percent over three years, especially in disadvantaged areas (Hyman et al. 2023). The evidence around other state tax credits either was not strong enough or it was unclear as to whether the credit led to more jobs.

The **Small Business Finance Center** of the Infrastructure and Economic Development Bank (IBank) has a loan guarantee program to help small businesses overcome barriers to accessing capital. The program showed some positive employment effects, although no comparison was made against similar firms that did not receive loans (Bradshaw 2002). For other grant and loan programs offered through the state, there is little research to affirm that programs created jobs.

The **Employment Training Panel (ETP)** is a funding program that provides monies to employers to assist in upgrading worker skills through training to promote good paying, long-term jobs. ETP funding had a large and positive impact on company sales and employment (Negoita and Goger 2020). The ETP also stimulated economic activity and reduced burdens on unemployment insurance (Moore et al. 2003).

In California, entrepreneur training and assistance programs tend to be fairly new, and often have not yet been evaluated. A variety of direct worker training programs exist that have achieved strong results toward upgrading the skills of Californians, but results are not necessarily related to creating new jobs or retaining jobs in the state.

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## Job creation programs that are effective or likely effective

Name	Total Funding (2022–2023 Funding/Expenditure)	Convincing Evidence?	Effective, based on convincing evidence?
California Competes Tax Credit	\$2.5b+ (Annual: \$180 m)	Convincing	Yes
Small Business Finance Center (loan program)		Somewhat convincing	Yes
Employment Training Panel	(Annual: \$92m)	Convincing	Yes

## How can the state move forward with current programs?

California is putting money behind a number of policies that have effectively created jobs beyond what would have been created in their absence. The three effective programs described here have sizable annual allocations (>\$272 million total in 2022–2023). To support job growth, these programs should be maintained. The state should consider expanding effective programs, although large-scale expansions might diminish the impact of additional expenditures.

The remaining policies offer varying evidence of their effectiveness; they may have strong economic rationale but simply need more evaluation research. Understanding who benefits from these programs, if anyone, is critical to creating an equitable multi-faceted approach in California to support jobs and the economy. Building features into the state’s job creation policies that allow rigorous evaluation will help lawmakers in determining whether the policy is effective.

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Sources: Adapted by Stephanie Barton from [Policies for Creating and Keeping Jobs in California](#) by David Neumark and Emma Wohl. Bradshaw, Ted K. 2002; Freedman, Matthew, Shantanu Khanna, and David Neumark. 2023; Hyman, Benjamin, Matthew Freedman, Shantanu Khanna, and David Neumark. 2023; Negroita, Marian, and Annelies Goger. 2020; Moore, Richard W., Daniel R. Blake, G. Michael Phillips, and Daniel McConaughy. 2003.