A VISIONARY GROUP OF MASSACHUSETTS INDUSTRIALISTS JOINED TOGETHER IN 1915 TO PROMOTE ECONOMIC GROWTH, INNOVATION AND HIGH-VALUE JOBS AS A MEANS OF CREATING PROSPERITY FOR THE PEOPLE OF MASSACHUSETTS.

They formed Associated Industries of Massachusetts (AIM) with the goal of working cooperatively with government and people with differing points of view to advance the common good.

Through 100 years of boom and recession, two world wars, a moon landing, the development of the Internet and the mapping of the human genome, AIM has participated in the public debate with the goal of making the “shining city on a hill” envisioned by Massachusetts’ first governor an “economic city on a hill” for the rest of the world. AIM today represents more than 4,500 employers from every sector of the Massachusetts economy who together embody the learning, intelligence, ingenuity, work ethic and resilience that make Massachusetts unique.

It is in that spirit that the employers of Associated Industries of Massachusetts celebrate a century of collective civic engagement by publishing the Blueprint for the Next Century, a plan for economic growth and prosperity for the next 100 years.
AIM's work on economic and business policy issues boils down to the nexus of a person, a job and an employer. The creation of a job and a person's ability to do it weaves together every important aspect of social and economic stability — the desire for a better life, the ability to support a family, the confidence to start a business, and the need to support efficient government management of services such as education, health care, and public safety.

Economic growth strengthens these bonds. The employer buys new equipment; workers use pay increases to send their children to college; and communities find ways to fix broken water mains. Economic downturns, conversely, strain the bonds between employer and community members who suddenly worry about layoffs, turmoil in the markets, the value of savings and municipal budget cutbacks.

AIM, like Massachusetts itself, remains forward looking. We embrace change and eagerly anticipate the challenges of the next century. Our Blueprint for the Next Century presents a positive agenda for meeting those challenges.
ERIC FOGG, BILL BITHER AND JACOB LAUZIER CARRY ALL THE PROMISE AND CHALLENGE OF THE MASSACHUSETTS ECONOMY WHEN THEY ARRIVE FOR WORK EACH DAY IN A NONDESCRIPT OFFICE IN THE COLLEGE TOWN OF NORTHAMPTON.

The entrepreneurs are hard at work on a venture called MachineMetrics, a cloud software solution that improves the productivity of manufacturing facilities by collecting, analyzing and visualizing data from machines, parts and people. MachineMetrics has already signed up high-profile regional manufacturers like Savage Arms in Westfield and Valley Steel Stamp in Greenfield as customers.

It’s an almost mystical handshake from the future of the economy to the present, from one generation to another, acknowledging the seminal role that both must play to ensure prosperity for the people of Massachusetts in the next century.

“We need to persuade software entrepreneurs looking to create the next app or something in the software industry that there is a tremendous amount of opportunity in manufacturing. We need young entrepreneurs to connect with manufacturing companies and work on new ideas,” said Fogg, who spent 16 years in precision machining and owned his own company.
MachineMetrics is the kind of company that may ultimately determine the ability of Massachusetts to build upon an economy that in many ways remains a paradox — an international center of technology, innovation, medical research, financial services and higher learning near Greater Boston but a more traditional, amorphous economy outside of Route 128. Fogg, Bither, Lauzier and innovators like them hold the unique promise of joining the “eds and meds” economy of the 617 area code with existing industries struggling to create jobs for residents in the rest of the state.

It is a promise that will be played out against a vibrant and unforgiving global economy in which investment, resources, jobs, people and capital flow at blinding speed to the most competitive environments. States, regions and nations no longer have the luxury of taking their job bases for granted — failure to nurture the business climate not only impedes the growth of existing companies, but also leads to a silent and corrosive flow of job expansions to other locations that provide employers with the best opportunities for success.

The challenges that MachineMetrics faces are emblematic of those facing the commonwealth as a whole:

- Will the advanced manufacturing companies to which they want to sell their idea survive in the relentlessly high-cost, high-regulation environment of Massachusetts?
- Will MachineMetrics find the skilled, educated and motivated people it needs to grow and to develop new iterations of the company’s software?
- Will young companies located in western Massachusetts and other areas outside the Cambridge/Boston innovation beltway develop the critical mass needed to extend opportunity throughout the state?
- Will the MachineMetrics platform make manufacturers so efficient that they will be able to increase business without creating new jobs?
- Will government regulators encourage the growth of companies like MachineMetrics, or will they set up bureaucratic impediments like the ones that recently convinced a neighboring software company in Amherst to move to Texas?
- Will the government research money that built Massachusetts into a world class center of higher education, medical science, biotechnology and defense technology continue to flow or slow to a trickle?
Massachusetts employers share a remarkable consensus about the answers to these fundamental questions. It is a consensus that forms the foundation of the *Blueprint for the Next Century*, a long-term plan for economic growth and prosperity in the commonwealth. Associated Industries of Massachusetts, the statewide employer association, is publishing the *Blueprint* on the occasion of its 100th anniversary in 2015.

The employers of the commonwealth respectfully propose the following initiatives to ensure the future of the Massachusetts economy:

1. Develop the best system in the world for educating and training workers with the skills needed to allow Massachusetts companies to succeed in a rapidly changing global economy.
2. Support business formation and expansion by creating a uniformly competitive economic structure across all industries, geographic regions and populations, rather than picking winners and losers.
3. Establish a world-class state regulatory system that ensures the health and welfare of society in a manner that meets the highest standards of efficiency, predictability, transparency and responsiveness.
4. Moderate the immense long-term burden that health care and energy costs place on business growth.

The *Blueprint for the Next Century* charts a course that will provide every citizen with the opportunity to build a life, prosper, support a family and share in the economic fortunes of Massachusetts. It is a call to action that embraces the dictum of Theodore Roosevelt, who said “We should not forget that it will be just as important to our descendants to be prosperous in their time as it is to us to be prosperous in our time.”

AIM stands for jobs, economic opportunity, fiscal predictability, business formation, innovation, education and a government that acknowledges that the private sector has the unique ability and responsibility to create the common wealth for the people of Massachusetts.
GOVERNMENT AND BUSINESS MUST DEVELOP THE BEST SYSTEM IN THE WORLD FOR EDUCATING AND TRAINING WORKERS WITH THE SKILLS NEEDED TO ALLOW MASSACHUSETTS COMPANIES TO SUCCEED IN A RAPIDLY CHANGING GLOBAL ECONOMY.
WHERE WE STAND

What if you created an economy and no one came? Massachusetts employers almost unanimously name the shortage of qualified workers as the central impediment to the future of the economy. The worker shortage crosses almost every industry, from manufacturers in the Pioneer Valley to software companies in Boston’s Innovation District to research and engineering firms on the North Shore.

WHERE WE CAN IMPROVE

1. Take advantage of the opportunity provided by the Work Force Innovation and Opportunity Act of 2014 to align the commonwealth’s work-force training programs with the needs of employers and job seekers. The act requires Massachusetts to develop a four-year strategy — in the form of a single, unified strategic plan for core programs — for preparing an educated and skilled work force and meeting the hiring needs of employers. Massachusetts policymakers should rationalize the distribution and control of federal work-force training money to maximize results.

A. Develop as part of the review a strategy to consolidate educational and work-force development systems that remain Balkanized in Massachusetts and widely inconsistent in terms of outcomes.
2. The governor should convene the Massachusetts High Demand Career Initiative, a broad consultation among business, education, government, labor and the general public to address the range of long-term issues embedded in the skilled-worker shortage. The initiative would send an unmistakable signal about the commonwealth’s determination to be the global leader in work force skills.

3. Employers, government and citizens must together elevate the role of vocational education and its potential to provide people the skills they need to realize their economic dreams.

A. The commonwealth should work with private employers, led by AIM, to initiate a multi-year marketing and communications initiative to promote the value offered by vocational education and skills training. The initiative must address the ingrained cultural bias among parents and the general public that vocational education is for students who cannot succeed in college-preparatory high schools. The message should be that college is not the only pathway to success.

“In K–12 education, we found that business leaders are already engaged in many generous partnerships to support students and schools. However, business is mostly involved in fragmented, subscale efforts that alleviate weaknesses in the education system without strengthening the system for the long run. Fortunately, a number of new initiatives point toward better ways for business leaders to work with educators to improve U.S. education.”

2014 HARVARD BUSINESS SCHOOL REPORT ON COMPETITIVENESS
B. Conduct a detailed inventory of the work-force needs and compensation opportunities in each region of the commonwealth; compare the findings to the programs offered at the state's 15 community colleges, 39 vocational high schools and traditional high schools that offer vocational programs.

C. Develop a strategy to ensure consistent excellence among vocational schools. Some of these schools are among the best in the country, but municipal officials say others are dumping grounds for school systems seeking to boost the MCAS scores of their traditional high schools.

D. Distribute educational aid in a manner than eliminates the waiting lists that exist at half of the commonwealth's vocational high schools.

E. Encourage acceptance of the Manufacturing Assistance Center Workforce Innovation Collaborative curriculum by vocational schools and community colleges around the state.

F. Encourage more industry-driven, demand-based training partnerships in developing fields, such as the aviation technology programs currently being developed on Cape Cod and in the City of Westfield.

G. Allow vocational schools to work with community colleges to grant associates degrees.

4. In skill areas not currently served by vocational education, employers, government and educators must create a system in which public schools provide students with strong, fundamental math, science and communication skills while businesses develop programs to teach specific job skills.

A. Evaluate high schools based not only on the number of graduating students who attend college, but on the number who graduate and obtain gainful employment.

B. Establish a statewide recognition program to honor schools with the best record of graduating skilled workers.

C. Replicate the example of Tech Foundry in Springfield, which provides information technology training to students in Springfield after school, on week-ends and during school vacations. Students work with business mentors to determine the IT skills that employers need and then earn skill badges and later intern with employers. The initiative is funded by foundations and the private sector.

D. Replicate the similarly successful model of organizations such as Girls Who Code, which work to inspire, educate and equip girls in a manner that will create gender parity in the computing field.

E. Implement the recommendations of the Massachusetts Computer Action Network to integrate curriculum in the public schools that will prepare students for careers in computer science and other technical fields.
5. Expand performance-based funding for Massachusetts community colleges and public four-year institutions.

A. Support the recent recommendations of the Massachusetts Higher Education Commission establishing five-year performance benchmarks on work-force development and civic learning for the entire system.

6. Global companies with a significant presence in Massachusetts should establish partnerships that harness the intellectual capital of the region’s colleges and universities. State government should consider modest financial incentives to encourage such partnerships.

A. One such model is the new joint research facility established by Raytheon Company with the University of Massachusetts in Lowell. The project is focused on the advancement of innovative technologies in a collaborative, state-of-the-art institute. Raytheon is committing between $3 million and $5 million over the next 10 years.

B. The State of New York provides financial incentives to companies that establish educational or training partnerships with public or private colleges and universities. Such incentives are notable in that they are not geared to one-time efforts to attract a single employer, but rather to sustained efforts that build a cooperative infrastructure between employers and higher education.

7. Employers must establish a consistent level of engagement with educational institutions and training providers to ensure a pool of skilled potential employees.

A. More employers must create internship programs and Massachusetts must encourage such programs. The companies that are most successful in attracting talent are almost always those that have invested in creating on-the-job educational opportunities for students in the workplace.

B. Replicate partnerships such as the manufacturing skills training program developed in Springfield by Springfield Technical Community College, Holyoke Community College and the University of Massachusetts with private support from companies such as Smith & Wesson, MassMutual and Suffolk Construction.

C. Employers in the information technology field must engage with public and private four-year colleges to ensure that these institutions are teaching up-to-date skills. Many employers complain that while community colleges turn out graduates with appropriate skills, a significant number of graduates of four-year colleges come to the workplace with outdated skills.
8. Massachusetts should conduct a comprehensive best-practices audit to determine the best approaches to work-force training being used in other states and countries. South Carolina, for example, has developed a successful manufacturing apprenticeship program in which promising young people are paid both for working and for their classroom studies. The program is based on those prevalent in Germany and is being driven by German companies such as BMW, which operate plants in South Carolina.

9. Emphasize the role that returning veterans can play in filling needs for employees. Hiding in plain sight here in Massachusetts and throughout the country are millions of men and women who have technical skills forged in an arena where split-second decisions mean the difference between life and death. Post 9-11 era military veterans represent a massive untapped source of talented people who already know the value of showing up for work on time, teamwork and accomplishing a mission.

A. Encourage employer support for hiring programs such as New England Tech Vets (www.newenglandtechvets.org) or Helmets to Hardhats (www.helmetstohardhats.org), a union initiative to connect veterans with building and construction careers.

“My job is to prepare students for jobs that have not yet been created using technology that has not yet been invented.”

SCHOOL PRINCIPAL
A UNIFORMLY STRONG BUSINESS CLIMATE

CREATE A COMPETITIVE ECONOMIC STRUCTURE ACROSS ALL INDUSTRIES, GEOGRAPHIC REGIONS AND POPULATIONS RATHER THAN PICKING WINNERS AND LOSERS.
WHERE WE STAND

Effective governments build business climates that encourage employers in all industries to invest, expand and create economic opportunity. These governments resist the temptation to spend public resources on the high-profile industry of the moment and instead ensure that long-term business costs, regulation, education, training and responsiveness help everyone — from the multinational high-tech company to the small entrepreneur.

A stable and predictable business climate is particularly important to capital-intensive sectors of the economy like manufacturing. No sector creates more economic value than manufacturing in Massachusetts. Manufacturing productivity surged 8.7 percent from 2007-2011, far faster than the overall growth rate of 1.7 percent. Each Massachusetts manufacturing worker adds an average of $178,625 to gross state product versus $114,568 for all private-sectors workers.

Manufacturing remains a key area of interest for Associated Industries of Massachusetts, which has represented the interests of such companies since 1915.
WHERE WE CAN IMPROVE

Business Climate

1. Structure economic development incentives around the business requirements of employers rather than the preconceived notions of which geographic regions would benefit most from job growth. Incentives to locate in Gateway Cities are important, but no more important than the needs of companies that might grow in Massachusetts, but are unable to locate near older industrial cities.

2. Extend economic development incentives to companies in all industries, in all regions, rather than limiting benefits to biotechnology, clean technology or other selected sectors.
   
   A. Use economic development to encourage projects that benefit the highest number and variety of wage earners.
   
   B. Build flexibility into economic development incentives so the commonwealth will have the opportunity to respond to new challenges as they arise.
   
   C. Let business needs drive the process.

Manufacturing

1. Massachusetts must solve the long-term electricity cost crisis that threatens the survival of manufacturing in the commonwealth. (Health Care and Energy Section)

2. Employers, government and citizens must together elevate the role of vocational education and its potential to provide people the skills they need to realize their economic objectives. (Work Force Section)

3. We should replicate partnerships such as the $9.7 million Berkshire Innovation Center in Pittsfield. A membership cooperative led by companies such as Crane & Company and General Dynamics, the 20,000-square-foot center will include tools for precision analysis and microscopy, rapid 3D prototype printing and other operations crucial to expanding productivity for smaller companies.
“Manufacturing is critically important to the American economy. For generations, the strength of our country rested on the power of our factory floors — both the machines and the men and women who worked them. We need manufacturing to continue to be the bedrock of strength for generations to come ... The strength or weakness of American manufacturing carries implications for the entire economy, our national security, and the well-being of all Americans.”

CENTER FOR AMERICAN PROGRESS

4. The Massachusetts Advanced Manufacturing Collaborative should work to re-establish the once close connection between the innovation sectors of the economy and the commonwealth’s base of advanced manufacturers. Medical researchers, clean-tech entrepreneurs, nanotechnology developers and others need access to the unparalleled engineering and manufacturing expertise of Bay State companies to make their ideas tangible. Allow innovation to drive downstream benefits to other sectors of the economy.

A. Organize a “Trade Mission to Massachusetts” that would expose innovators from Greater Boston to potential partners and manufacturers in other parts of the commonwealth. It’s a way to encourage an exchange of ideas and the formation of long-term connections.

5. Government and the private sector must help Massachusetts manufacturing companies expand markets overseas, especially as U.S. government spending on defense and health care declines.

A. Ramp up the frequency and variety of trade missions. These missions make practical connections for employers and raise the visibility of exporting.
B. Support appropriate free-trade agreements between the United States and important trading partners (T-TIP between the US and the European Union; and the Trans-Pacific Partnership), as well as initiatives such as trade promotion authority, re-authorization of the Export-Import Bank and immigration reform.

C. Improve the current structure for encouraging foreign direct investment in Massachusetts.

D. Establish an online portal to facilitate connections between Massachusetts companies and collaborators, partners and investors overseas.

Business Formation

Business formation and entrepreneurship represent the source of regeneration for an economy. It is particularly important in Massachusetts, which ranks among the highest in the U.S. for patent creation and venture capital investment.

1. Government should remove impediments to the e-service economy (Uber etc.) by changing the independent contractor law.

2. Support Best Return on America’s Investment Now, or BRAIN Act, which would create a visa for foreigners who receive an advanced degree in science, technology, engineering and math.

3. Exempt businesses earning less than $500,000 from the corporate income tax.

4. Reduce fees for starting and maintaining a business (LLCs have $500 initial filing fee and $500 annual filing fee; reduce to $125).

5. Encourage the development of the Maker Economy and creative production facilities such as Industry City in Brooklyn. The maker movement is the umbrella term for independent inventors, designers and tinkerers who combine crafts, manufacturing, open-source learning and personal technology like 3-D printers. The creations, born in cluttered local workshops and bedroom offices, are meant to appeal to consumers looking for locally-sourced, high-quality products instead of generic, mass-produced, made-in-China merchandise.
ESTABLISH A WORLD-CLASS STATE REGULATORY SYSTEM THAT ENSURES THE HEALTH AND WELFARE OF SOCIETY IN A MANNER THAT MEETS THE HIGHEST STANDARDS FOR EFFICIENCY, PREDICTABILITY, TRANSPARENCY AND RESPONSIVENESS.
“A small employer does not have the staff, resources or time to figure out the multiple layers of regulation. There are too many minefields that can trip up or stall a small business. This is an opportunity cost that is never discussed and cannot be measured. How much time is wasted worrying about or dealing with regulation that is well intentioned, but is rarely thought through to its consequence?”

MASSACHUSETTS EMPLOYER, AIM BLUEPRINT SURVEY
WHERE WE STAND

Massachusetts employers acknowledge the need for effective and well-managed regulation that ensures the health and welfare of society without weakening the financial underpinnings of the job market. But the employer community believes that Massachusetts regulations and the regulators who enforce them often stray from the primary objective of protecting society into a mindset of “punishing” businesses.

WHERE WE CAN IMPROVE

1. The governor should appoint an independent ombudsperson to review comments, suggestions and complaints from employers about ineffective state regulations and/or the manner in which those regulations are enforced. The ombudsperson would have the authority to determine which regulations and/or enforcement issues represent real impediments to growth and recommend changes to the Legislature or the executive branch.

   A. Associated Industries of Massachusetts, as the statewide business association, will establish a phone/Internet hotline, or perhaps a mobile app, through which employers might report regulations they believe are not efficiently achieving their objectives. AIM would pass these communications to the ombudsperson.

2. Encourage regulators and employers to adopt “smart partnerships” to ensure that government-business interactions solve problems instead of propping up bureaucracies.

   A. State Senator Daniel Wolf from the Cape and Islands, founder of Cape Air in Hyannis, recalls an example of creative problem solving that took place many years before he entered public service. The Federal Aviation Administration required (and requires) Cape Air to scrupulously wash all aircraft. The airline did so, but then faced fines from the Massachusetts Department of Environmental Protection because there was some runoff into drains on the airport tarmac. After good-faith negotiations, the DEP and Cape Air reached an agreement: Cape Air paid for a state-of-the-art clean wash bay for Barnstable Municipal Airport, and DEP significantly reduced the fine. This was a win for the company and a win for the citizens of the commonwealth. And, it represents a great example of a “smarter partnership.”
B. The governor should engage willing employers who are global leaders in productivity and process improvement to streamline the operation of state government agencies. General Electric, an AIM member, provided just such a service for the New York State Highway Department at the request of Governor Andrew Cuomo. GE Capital used its expertise in lean process to help the Highway Department reduce the processing time for curb-cut requests from 70 days to three days.

C. Empower front-line regulators with the authority to approve creative solutions such as the one developed with Cape Air.

3. Initiate a comprehensive review to identify regulations that are outdated, redundant, ineffective, inefficient or unnecessary.

4. Eliminate current state regulations that exceed federal standards.

5. Adopt an immediate moratorium on any state law or regulation that exceeds or duplicates a federal law or regulation.

6. Enact broad regulatory reform at the Massachusetts Department of Revenue:

   A. Ensure that taxpayer returns remain confidentially held by the DOR.
   B. Ban DOR from lobbying the Legislature and other elected officials.
   C. Reform the DOR’s audit practices to ensure timely resolution of disputes and increase the use the mediation.
   D. Reform the Appellate Tax Board to ensure fair, equitable and timely resolution of tax disputes.
   E. Eliminate the practice and use of contingent auditors.
   F. Improve the DOR’s electronic filing system, which is one of the most challenging and complicated in the country.
“Instead of focusing on growing my business, I am spending a huge amount of time figuring out how to survive increased costs and regulations while operating in Massachusetts. It’s not just one area either ... it is everywhere. Water, sewer, insurance, unemployment claims, and that’s just a list of the local and state issues.”

MASSACHUSETTS EMPLOYER, AIM BLUEPRINT SURVEY

7. The state should work with cities and towns to establish a set of efficiency and fairness standards for local issues such as inspections, fees and permitting.

A. Associated Industries of Massachusetts, perhaps in conjunction with the Massachusetts Municipal Association, will develop an annual rating of the business climate in cities and towns and recognize the top 10 municipalities for business.

B. The commonwealth and its municipalities should move toward regionalization of functions such as inspections and permitting to improve efficiency.
BLUEPRINT FOR THE NEXT CENTURY

N°4 | HEALTH INSURANCE & ENERGY COSTS

MODERATE THE SUBSTANTIAL FINANCIAL BURDEN THAT HEALTH CARE AND ENERGY PLACE ON BUSINESS GROWTH.
HEALTH INSURANCE

WHERE WE STAND

Massachusetts has enjoyed unique success extending health insurance coverage since the passage of health care reform in 2006 — an impressive 97 percent of residents now have health insurance, by far the largest percentage of any state. But that success is threatened by relentless acceleration of health care costs and the resulting run-up in the cost to employers of providing health insurance to workers.

WHERE WE CAN IMPROVE

1. Establish a more aggressive benchmark for medical spending under the 2012 Massachusetts health-cost control law. The law currently benchmarks increases in health care spending to the growth rate of the overall economy. We can do better.
2. Keep the small-group market size the way it is. The small-group market will expand in 2016 under Federal Health Care Reform from companies with 1-50 employees to companies with 1-100 employees. Forcing employers into the small group market will cause rate increases of at least 10 percent for the 51-100 companies.

3. Maintain the current definition of a full-time employee. The Massachusetts definition was 35 hours per week, while federal reform requires coverage for employees working 30 or more hours per week. Employers will respond by reducing the number of hours employees can work. We have already heard from employers who are being forced to do this because of the significant and unaffordable increases in their health insurance costs.

4. Repeal the Medical Device Tax under federal health reform. The 2.3 percent excise tax on the sale of medical services is damaging to a key sector of the Massachusetts economy, costing the commonwealth’s largest medical device companies more than $400 million this year alone.

5. Continue efforts to make cost and quality information about health care procedures and services available to consumers before treatment. Refine and improve the information and encourage consumers to use it to make informed decisions about their health care. It’s a process that will persuade higher cost providers to lower prices.
ENERGY

WHERE WE STAND

Average electric rates in Massachusetts are the third highest in the nation for industrial ratepayers at 12.63 cents per kilowatt hour, according to the United States Department of Energy’s Energy Information Administration. Electricity costs have reached crisis stage as a persistent shortage of natural gas for generating plants is driving power prices to record levels for the winter of 2014-2015.

WHERE WE CAN IMPROVE

1. Support the development of pipelines to transport natural gas into the commonwealth and the development of infrastructure to permit the purchase of hydroelectric power from Canada.

   A. Environmentalists have been fighting against more natural gas coming into the state for years, which partly explains why pipeline capacity hasn’t expanded. They also say consumers can conserve a lot more energy, but Massachusetts is already at the forefront on energy efficiency efforts. The state was just ranked first in the nation for energy efficiency for the fourth year in a row by the American Council for an Energy Efficient Economy.

2. Reorganize the Massachusetts Department of Public utilities to the structure that was in place before 2007.

   A. Remove DPU from under Executive Office of Energy and Environmental Affairs, where it has become a political agency, and restore its status as an independent agency under the Executive Office of Housing and Economic Development.

   B. Increase the number of DPU commissioners from three to five, one of whom must be experienced in commercial and industrial ratepayer issues and one of whom must be experienced in residential ratepayer issues.
3. Cap all “green programs” or require analysis of such programs that takes into account cost to the ratepayer, not just benefit to the “green” industry.

A. Make sure that any “green” programs are competitively bid and cover the lowest-cost requirements first. These bids should be technology neutral with no specific carve-outs for “favored” technology.
B. Reduce/eliminate cross subsidization of “green” programs by eliminating net metering and other programs.
C. Disallow utilities from adding “green” programs to distribution costs, a practice that results in customers paying twice for programs

4. Change energy efficiency programs to align changing models with new paradigm.

A. Allow municipal electric light companies access to Regional Greenhouse Gas Initiative funds to institute energy-efficiency programs.
B. Allow companies to keep a larger share of their energy efficiency money, provided they use it for energy efficiency purposes.
THE BLUEPRINT FOR THE NEXT CENTURY REFLECTS MONTHS OF CONSULTATION WITH EMPLOYERS FROM EVERY CORNER OF THE MASSACHUSETTS ECONOMY, INCLUDING MANUFACTURING, RESEARCH, SOFTWARE, BIOTECHNOLOGY, RETAIL AND FINANCIAL SERVICES.

Associated Industries of Massachusetts spoke to hundreds of business owners and managers with the goal of collecting the most compelling ideas for ensuring that the Bay State remains a global economic powerhouse.

We also spoke to people outside the business community — elected officials, economists, academics, journalists, high school teachers, students and labor unions. Our conversations look place in regional meetings and human resource roundtables, in speeches to business groups, through an online survey, on social media and in statewide Webcasts.

Overseeing the Blueprint is the AIM Board of Directors and its Government Affairs Committee, chaired by Joseph Zukowski, Vice President of Government Affairs at Verizon. AIM directors traveled to many of the Blueprint meetings throughout the state to get a first-hand sense of the issues confronting Massachusetts employers.
Here is a partial list of the consultations that have gone into the Blueprint:

- Online survey
- Regional employer meetings in Dalton, West Springfield, Marlborough, North Billerica and Lakeville
- Statewide Webcast
- Dozens of individual employer interviews conducted by the AIM membership team
- House Speaker Robert DeLeo
- Senate President Therese Murray
- A dozen ranking state legislators
- Cambridge Innovation Center
- Valley Venture Mentors, Springfield
- Tech Factory, Springfield
- University of Massachusetts
- AIM Board of Economic Advisors
- Human Resources Management Association of Western New England
- Westfield Vocational High School
- Massachusetts Computer Action Network
- Massachusetts Building Trades Council

Yet for all of the discussion and debate that has gone into the Blueprint to date, our work is just beginning. AIM views the Blueprint not as a static document (or doorstop) but rather an ongoing process that will continue to evolve with more ideas and initiatives to secure the economic future of Massachusetts.

AIM will therefore present this first version of the Blueprint to Governor-Elect Charlie Baker on November 14, but then continue deliberating with employers and public officials through 2015 to define the best and most measurable solutions to the commonwealth’s economic challenges. We intend to maintain the Blueprint in electronic format to permit changes, updates and reports on our progress.

AIM is grateful to everyone who has participated in the Blueprint process.

Associated Industries of Massachusetts (AIM) improves the financial performance of Massachusetts companies through a unique combination of lobbying, management and human-resource services that allow you to control the environment both inside and outside your business.
AIM is a community of Massachusetts employers working together to improve the business climate and create economic opportunity by:

- reducing the cost of health care, taxes, unemployment insurance and other business expenses;
- shaping state and federal business regulation; and
- ensuring a skilled and highly educated work force.
ISSUES BEHIND THE RECOMMENDATIONS

THE RECOMMENDATIONS CONTAINED IN THE BLUEPRINT FOR THE NEXT CENTURY REFLECT THE IDEAS AND OPINIONS OF HUNDREDS OF EMPLOYERS, POLICYMAKERS, ACADEMICS AND PRIVATE CITIZENS ABOUT THE STATE OF THE MASSACHUSETTS ECONOMY AND WAYS TO IMPROVE IT.

AIM collected comments for its Blueprint project over several months. We heard passionate concerns about issues such as the cost of doing business, the skills gap and regulatory bureaucracy, all of which will determine the commonwealth’s direction in the years ahead.

Here is what we heard.
WORK FORCE

1. The worker shortage is driven by an education and training system that does not always meet the demands of the market, social perceptions of certain industries and long-term demographic trends.

2. Left unchecked, the skills gap threatens to create two commonwealths in which only highly educated people succeed and others struggle because they lack the necessary training and job preparation. Such economic bifurcation will exacerbate the troubling trend toward income inequality and its attendant effect on consumer spending.

   A. The reality of two economies is already evident. The high-school dropout rate in some Massachusetts cities surpasses 25 percent while employers located less than a mile from those high schools are desperate to find skilled workers and to pay them the kind of middle-class wages that support a family.
   B. The unemployment rate in those same cities remains, in some cases, in the double digits.

3. The worker shortage is likely to worsen in coming years as Massachusetts approaches a demographic cliff in which more workers will retire than enter the work force.

4. The issue raises profound questions for public education in Massachusetts. Public schools lack the flexibility and adaptability to adjust to the diverse and rapidly evolving demands of employers. Most employers agree that schools can never be structured as just-in-time economic engines, but still must find a way to improve the manner in which they teach the basic concepts of mathematics, science and communication that prepare students to learn the skills demanded by the marketplace.
A UNIFORMLY STRONG BUSINESS CLIMATE

1. Companies in the service sector and other industries do not have access to the same economic development incentives that companies in biotechnology and other industries do.

2. Manufacturing employment in Massachusetts declined from 312,747 people in the first quarter of 2004 to 248,862 people in the first three months of 2014. Manufacturing jobs now account for 7.6 percent of total Massachusetts work force, down from 10.1 percent a decade ago.

3. Each Massachusetts manufacturing worker adds an average of $178,625 to gross state product versus $114,568 for all private-sectors workers.

4. Manufacturing’s overall share of gross state product slipped from 11.4 percent in 2004 to 10.1 percent in 2013.

5. A staggering level of productivity justifies significant wage premiums for manufacturing workers.

6. The average weekly wage of manufacturing workers in Massachusetts is $1,696, twenty-three percent above the average wage for the entire economy.

7. The vast majority of manufacturers in Massachusetts are small businesses.

8. Manufacturers invest a greater percentage of revenue in research and development than other industries. But over the 20-year period beginning in 1991, Massachusetts’ share of national R&D expenditures actually declined by nearly 1 percent.

9. The most pressing challenge to Massachusetts manufacturers, in addition to the work force shortage, is the structural cost burden they face compared to competitors around the nation and around the world. This burden raises the cost of every product that manufacturers produce and every job that companies create. It puts Massachusetts companies at a measurable disadvantage and discourages additional production, growth and entrepreneurship.
10. The structural cost burden has become virtual orthodoxy among policymakers who maintain that a high-cost state such as Massachusetts can never compete for large manufacturing projects. These policymakers believe the commonwealth remains an attractive location only for the highest-value knowledge-driven manufacturers. It’s a dangerous orthodoxy that has taken Massachusetts out of the running for technology driven manufacturing being conducted with high-paying jobs in California by companies such as Tesla and Apple.

11. The national STEM advocacy group Change the Equation recently named the top five cities in the nation for advanced manufacturing. None of the cities is located in Massachusetts.

**EFFICIENT REGULATION**

1. Employers from every sector of the Massachusetts economy — manufacturing, services, software, biotechnology, non-profits — identify a troubling anti-employer attitude on the part of state government bureaucrats who know little or nothing about running a business.

2. One employer says Massachusetts suffers from “bad waiter” syndrome — the commonwealth is like a great restaurant with a terrific menu and nice atmosphere, but where your dinner is ruined by a rude waiter who treats customers badly.

3. Some of the anecdotes provided by employers would be laughable if they did not represent a threat to the jobs of hard-working Massachusetts residents. One central Massachusetts employer has two elevators in his facility — one for freight, the other for passengers. The company pays $1,100 to get each elevator inspected, but state officials refuse to inspect the two elevators at the same time. They require two visits, two payments of $1,100.

4. The poster child for unprofessional “gotcha” enforcement appears to be the Massachusetts Department of Revenue. Employers report that they prefer dealing with the U.S. Internal Revenue Service to the state DOR, in part because the IRS works collaboratively with employers to address mistakes or disagreements.
5. One entrepreneur described an incident in which his small company lost a significant amount of money and was therefore required to file its tax return electronically. But the DOR did not permit the company to file using commercially available e-file software. The company had to spend hundreds of dollars to purchase the software required by DOR. The result — the company is moving to Texas, which will enjoy the benefit of high-paying jobs and a huge capital gains tax windfall when the entrepreneur sells the company in a few years.

6. The Massachusetts Toxics Use Reduction Act (TURA) has in many ways lived up to its name — fees established under the law have prompted scores of companies to reduce or eliminate their use of chemicals, cutting overall payments into the program. Unfortunately, the people who run TURA have taken that as a cue to jack up fees to a level that may drive many of the remaining companies out of state.

7. Massachusetts lawmakers and regulators often impose state laws and regulations that duplicate federal laws and regulations and create an administrative nightmare for small business.

8. Regulators appear particularly determined to preserve their authority and revenue flow when confronted with innovative ventures that disrupt an established industry. Manicube, a New York-based company that sends its licensed manicurists to serve customers in corporate offices rather than in traditional nail salons, recently found itself under investigation by the Massachusetts Board of Registration of Cosmetologists because the company employs licensed manicurists, but does not operate out of a licensed nail salon. Regulators of traditional taxi cabs have similarly moved to restrict the growth of Uber.
HEALTH CARE & ENERGY COSTS

HEALTH INSURANCE

1. Massachusetts has the highest per capita health-care expenditures in the country at $9,278 versus $6,850 for the United States.

2. Spending on hospitals and long-term care facilities accounts for much of the $2,463 annual difference in what Massachusetts consumers pay and what people in other states pay for care. Massachusetts residents pay $1,030 per year more than the national average on hospitals, $771 per year more on long-term care and home health, and $580 more on professional services.

3. The average monthly premium for single coverage in Massachusetts in 2014 is $535, or 6.6 percent more than the $502 U.S. average. The average monthly family coverage premium in Massachusetts this year is $1,482, or 5.6 percent more than the U.S. average family premium.

4. Two seminal reports by the Attorney General indicate that the excessive market power held by several large hospitals and physician groups drives much of the health-care cost problem.

5. Massachusetts has also endured significant harm from provisions of federal health reform that have derailed the success of a state reform developed collaboratively among employers, doctors, hospitals, consumer advocates and elected officials.

6. The 2012 Massachusetts cost control law confirmed the wisdom of setting a benchmark for increases in medical spending. State statistics show that spending on health care in Massachusetts increased a modest 2.3 percent during 2013, well below the 3.6 percent objective set in the 2012 law. Health insurance premiums, adjusted for inflation, declined during the year, while benefit levels remained virtually unchanged. But the increase in medical spending exceeded the 1.5 percent rate of inflation.
ENERGY

1. Average electric rates in Massachusetts are the third highest in the nation for industrial ratepayers at 12.63 cents per kilowatt hour, according to the United States Department of Energy's Energy Information Administration. North Carolina, a competitor for manufacturing jobs, maintains an average industrial rate of 6.92 cents.

2. Commercial businesses in Massachusetts pay an average of 14.63 cents per kilowatt hour versus 9 cents in North Carolina. Residential rates in the Bay State are also among the highest in the country.

3. Electricity costs have reached crisis stage as a persistent shortage of natural gas for generating plants is driving power prices to record levels for the winter of 2014-2015. The problems with natural gas have become so acute that at least one utility has suspended hookups of new gas service to customers.