



COMMON WEALTH 2012

Looking for the Jobs

Three years after the onset of the great recession, is Massachusetts an economic success story or merely an economic story successfully told?



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The innovation- and technology-driven Massachusetts economy has in many ways become the envy of the country. The Bay State navigated a four-year fiscal crisis without raising income taxes and its 7 percent unemployment rate remains well below the rest of the nation.

Economic output in Massachusetts grew almost twice as fast as the national economy during 2011. Workers here earn an average of 24 percent more than their colleagues elsewhere and enjoy third highest per capita personal income. Manufacturing productivity is among the highest in the world.

But lurking behind these unprecedented accomplishments is a sobering fact — the Massachusetts economy has not created a net new job since 1999.

Amid constant rhetoric from both Democratic and Republican administrations about the importance of job creation, there were 3,247,200 jobs in Massachusetts in July of 1999, and 3,245,400 in November 2011. The commonwealth's employment base remains 140,000 jobs below its 2001 peak and analysts estimate that another 200,000 Massachusetts residents currently work in part-time positions because they cannot find full-time employment.

The overall numbers include profound shifts in the types of jobs driving the economy. Employment in manufacturing declined from 16.1 percent to 8.0 percent of the total job base in the past two decades, while education and health services grew from 15.9 percent to 20.9 percent and professional and business services grew from 11.5 percent to 14.8 percent.

So how are we really doing in Massachusetts? Is the commonwealth leading the nation by using its considerable university, research and advanced manufacturing assets to remake its economy for the new century? Or has it failed the ultimate measure of the

success for an economy or political enterprise — to create employment opportunities for citizens?

Both statements are true. While the commonwealth must continue to nurture the infrastructure of innovative people who keep Massachusetts at the forefront of economic engines such as biosciences, pharmaceuticals, financial services and manufacturing, it must simultaneously ensure that the rest of the economy from which most residents make a living does not fall off the tracks behind those engines.

The alternative is an illusory economic prosperity that looks good on the surface but really worsens income disparities as fewer people fill fewer jobs with higher incomes and educational requirements that most people can't meet.

We have stated previously that 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 services such as education, health care, and public safety. The Great Recession has strained the delicate balance of person, employer and job, not only for the 240,000 unemployed residents of Massachusetts and 13 million jobless nationwide, but also for the millions of others who fear losing jobs enough to drive home sales to a 20-year low.

It is the challenge of simultaneously developing new and established sectors of the economy that motivates the public policy work that Associated Industries of Massachusetts conducts on behalf of Bay State employers. The work takes on a particular importance at the dawn of 2012 as the prospect of federal budget reductions and continued economic problems in Europe and elsewhere threaten the growth of key Massachusetts industries such as defense, health care and education.

How, then, can Massachusetts maintain a uniformly favorable business climate that will ignite a job base frozen in time since 1999? AIM respectfully offers its ideas and suggestions for 2012:

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- **Reduce the cost of health insurance by supporting adoption of alternative methods to pay medical providers and by encouraging employer and consumer engagement.**

Ninety-seven percent of AIM member employers cite the cost of health insurance as their primary business concern. The good news is that the employers, insurers, doctors and hospitals who make up the private health-care market are moving rapidly to change the way consumers pay for medical care and to reward those consumers for seeking care in high-quality settings that charge reasonable prices. AIM believes government should not set rates but rather ensure that medical providers achieve measurable cost-control objectives.

- **Address high electricity costs in Massachusetts and the dysfunctional state regulations driving those costs.**

Electricity price increases caused by the commonwealth's primary renewable energy policy – the 2008 Green Communities Act - are discouraging job creation, driving companies to other states and inhibiting the weak economic recovery in Massachusetts. Attorney General Martha Coakley maintains that Green Communities will add \$4 billion to the electric bills of Bay State employers and consumers. The formula for relief on energy prices in Massachusetts should be a state energy policy that is technology neutral, transparent, and based on a competitive bidding process that ensures the best possible prices for end users.

- **Resist overly proscriptive laws and regulations that interfere with the responsibility of Massachusetts employers to value their workers and to pay them accordingly.**

Massachusetts employers recognize that the long-term success of their enterprise depends upon a well-trained and motivated work force. Workers in the Bay State enjoy the third highest per capita earnings in the country and employers reject the notion that they shortchange workers and must therefore be subject to onerous employment laws unique to Massachusetts. Proposals to mandate seven sick days and family leave represent awkward,

bureaucratic efforts to address issues that any employers looking to compete globally has already resolved.

- **Continue predictable, responsible and long-term state fiscal policy.**

Governor Deval Patrick and the Massachusetts Legislature deserve high marks for balancing the commonwealth's budget while moving ahead with a three-year reduction in the corporate income tax from 9.5 to 8 percent. We do not ask state government to do anything that every Massachusetts employer or family does not do every day – develop a multi-year budgeting plan, live within your means, reduce expenses during downturns, find efficiencies, and develop new and creative ways to deliver services. Massachusetts has done all of these and AIM looks forward to working with state government to continue the trend.

- **Leadership from business executives to help government resolve important issues.**

Business leaders have been at the heart of every major public policy initiative in Massachusetts, from education reform in 1993 to health care reform in 2006 and the current debate over health insurance costs. The business community willingly offers its financial, operational and managerial expertise to help state government address challenging issues. Business also understands the responsibility to foot its fair share of the bill for solutions to these problems. Business pays 40 percent of all taxes collected in Massachusetts and 55 percent of local property taxes.

AIM looks forward to working with state and federal policymakers during 2012 to create an environment to encourage the ingenuity and entrepreneurial energy that has historically driven the Massachusetts economy. 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 Commonwealth for the people of Massachusetts.

GOVERNMENT AND PUBLIC AFFAIRS



Associated Industries of Massachusetts

If our members are worried about it, we're working on it.

Associated Industries of Massachusetts (AIM) engages in public policy work on behalf of some 6,500 employers who provide jobs to 650,000 Massachusetts residents. We do so guided by the belief that only a vibrant, private-sector economy creates opportunity that binds the social, governmental, and economic foundations of our commonwealth.

AIM's Government Affairs team gets things done for members and for business. We monitor more than 1,000 bills in Massachusetts and Washington, D.C., and our expert staff works tirelessly to advance pro-growth, pro-jobs legislation.

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