

# Strengthening Massachusetts' Long-term Economic Vitality

## Reality and Perception of Doing Business in Massachusetts

### Reality—Competitive Advantages

#### Human and Intellectual Capital

According to the National Center for Public Policy and Higher Education, Massachusetts ranks among the leaders in the nation in its Higher Education Category Index. In K-12, Massachusetts students continue to be a leader in the country on state, national and international standardized tests.

#### Physical Health

America's Health Rankings, an organization that has been tracking the state of the nation's health for more than 20 years, ranks Massachusetts 5th in the country in its national health rankings.

#### Quality-of-Life

Forbes Magazine ranks Massachusetts as the #1 state in the nation in 2010 in its "quality of life" rankings, which includes indexes of schools, health, crime, cost of living and poverty rates.

### Reality—Competitive Disadvantages

#### Cost

The Tax Foundation ranks Massachusetts 32nd in overall state business tax climate for FY11, up from 36th in FY10.

#### Complexity

The complexity of government structures and the cumbersome and costly variations in jurisdictional oversight of state, local, county and federal governments discourages investment and economic activity.

#### Attitude

The perceived negative attitude toward business must be transformed into one of partnership with the public sector.

### Perception

Chief Executive Magazine conducts an annual survey of CEOs nationwide, asking them to rank the best and worst states to do business. In 2012, Massachusetts ranked 47th, down two spots from 2011.

### VISION STATEMENT

Massachusetts must invest in its competitive advantages, such as human and intellectual capital, the physical health of its workforce, and the outstanding quality-of-life. At the same time, public policy must refocus on those areas of competitive disadvantage, such as high costs of doing business, complex government structures that are costly and cumbersome, and the perceived negative attitude toward business. In doing so, MBR believes the state's long term economic vitality will be strengthened; innovation, investment and job creation will be encouraged; and Massachusetts will become a more highly-desirable place to do business.

# Recommendations

MBR will work collaboratively with the Executive branch of government, legislative leaders from both parties, and other statewide office holders to identify specific policy actions in these areas that will foster a favorable environment for sustained economic development and job growth. They are based on the premise that Massachusetts public policy should focus on investing in what we do well, and refocusing on those areas where we can do better:

**“Public leaders need to consider the impact of every policy decision on businesses and their ability to grow, create new jobs, and compete locally, nationally, and internationally.”**

Business Roundtable, Roadmap to Growth, December 2010

## I. Improve and Invest in Areas of Competitive Advantage

### Human and Intellectual Capital

Massachusetts is a national and international leader in education. It created the nation's first Department and Board devoted solely to early childhood education and care. Its K-12 students continually perform at or near the top of national and international standardized tests. And according to the National Center for Public Policy and Higher Education, Massachusetts ranks among the leaders in the nation in its Higher Education Category Index. In fact, the 2010 State New Economy Index—which measures the extent to which state economies are knowledge-based, globalized, entrepreneurial, IT-driven and innovation-based—ranks Massachusetts at the forefront of the nation's movement toward a global, innovation-based new economy. Public policy should focus on investing in human and intellectual capital to ensure development of a workforce pipeline that is productive, innovative, and competitive in a global marketplace.

**To address this competitive advantage, MBR recommends:**

#### Implementing and achieving the goals in the statewide Science, Technology, Engineering and Math (STEM) Plan.

##### Legislative/Policy Actions

- Develop specific programs and best practices to guide business investment that aligns with STEM plan goals.
- Work with national groups, like the National Governor's Association and Innovate+Educate, to develop principles for business engagement in STEM.

#### Ensuring educator quality, particularly in the areas of math and science, through improved standards, assessments, and performance measurement, as well as merit and differential pay.

##### Legislative/Policy Action

- Assist in development and promotion of legislation to ensure educator quality, that ensures a focus on MBR priorities such as STEM, and merit and differential pay.

#### Engaging business leaders as advocates for early childhood education.

##### Legislative/Policy Actions

- Co-sponsor National Business Leader Summit on Early Childhood Investment to convene business and policy leaders to discuss business advocacy for smart investments in early childhood, innovative financing methods and new research on economic benefits.
- Serve as Chair of state's Board of Early Education and Care to bring business principles and MBR priorities to early childhood policy discussion.

#### Improving coordination between industry and higher education, with a focus on retaining talent in the state after graduation.

##### Legislative/Policy Action

- Serve on Steering Committee for Commonwealth's Vision Project, the state's comprehensive agenda for public higher education.

## Physical Health

A healthy citizenry is essential to a productive society, and healthy workers are essential to productive and successful businesses. Massachusetts is the national leader in people with health insurance coverage, and is a leader in certain preventative measures, such as the percentage of the adult population that has cholesterol checks. We have among the lowest infant mortality rates in the country, and Massachusetts is among the best in the nation in prenatal care.

### To address this competitive advantage, MBR recommends:

**Promoting Wellness and Health Management Initiatives to ensure a healthy, productive and engaged workforce while at the same time lowering health care costs.**

#### Legislative/Policy Actions

- Convey wellness and health management best practices from the private sector to public leaders.
- Advocate for inclusion of wellness and health management programs in legislative advocacy on cost containment.

**Encouraging consumer engagement to ensure that employees have the tools they need to make informed decisions about their health and their health care.**

#### Legislative/Policy Actions

- Serve on Board of Partnership for Healthcare Excellence, an initiative designed to provide information to patients to help them make better decisions about their health care.
- Advocate for consumer engagement as a necessary principle in health care cost containment deliberations.

## Quality of Life

Whether it's called a "Happiness Index," "Livability Index," or "Quality-of-Life Index," Massachusetts is listed as one of the country's most desirable places to live. This attracts talent and influences business decisions to locate, expand and invest. Forbes Magazine ranks Massachusetts as the #1 state in the nation in its "quality of life" rankings.

### To address this competitive advantage, MBR recommends:

**Preserving quality-of-life investments in education, public safety, and the environment through municipal fiscal reforms.**

#### Legislative/Policy Action

- Support the passage of municipal health and retiree legislation.

**Developing a long-term transportation financing plan that improves and maintains the state's transportation infrastructure and sustains long-term economic growth.**

#### Legislative/Policy Action

- Support new investments in the state's transportation infrastructure in coordination with the state's economic development strategy.
- Serve as Chair of MassDOT's Transportation Advisory Committee to emphasize MBR's principles.

## II. Renewed Focus on Areas of Competitive Disadvantage

### Costs

Forbes Magazine ranks Massachusetts 50th in its Business Costs Rank, which includes indexes based on cost of labor, energy and taxes. Surveys of Massachusetts business leaders confirm that the cost of doing business in Massachusetts puts the state at a disadvantage relative to its national and international competitors. They specifically mention the costs of health care, unemployment insurance, and energy. Business and government must work together to establish ‘cost competitiveness’ as a principal state economic development measure.

**To address this competitive disadvantage, MBR recommends:**

#### Aggressively addressing employers’ concerns over unsustainable increases in health care premiums.

##### Legislative/Policy Action

- Pursue payment reform and other market reforms to effectively manage the three key drivers of health care costs: price; utilization; and behavior.

#### Reforming unemployment insurance to bring both benefits and payments in line with national norms.

##### Legislative/Policy Actions

- Support legislation freezing unemployment insurance schedule.
- Support legislation reforming unemployment benefit structure.

#### Addressing the high cost of energy.

##### Legislative/Policy Action

- Join with Common Agenda colleagues to develop and pursue policies to reduce the high cost of energy.

### Complexity

Massachusetts can be a very difficult place for business to get things done. Multiple governmental jurisdictions, various layers of regulation, multiple and confusing points of entry with government, all lead to a cumbersome and expensive environment to conduct business. The instability caused by a constantly changing tax and regulatory landscape adds to the complexity. This “cost of doing government” discourages business activity in the state.

**To address this competitive disadvantage, MBR recommends:**

#### Creating a stable, reliable and equitable tax structure that promotes investment and job creation.

##### Legislative/Policy Action

- Join with Common Agenda colleagues to develop and pursue tax policies that create a stable, reliable and equitable tax structure.

#### Eliminating duplicative and burdensome regulations through a comprehensive, collaborative reform effort between industry and regulators.

##### Legislative/Policy Action

- Propose that current and proposed regulations are achievable, and that an assessment of their impact on economic growth, competitiveness and other economic development objectives is considered before their promulgation.

## Regionalizing the provision of local services as much as possible to achieve economies of scale.

### Legislative/Policy Actions

- Work with Lt. Governor's office to implement recommendations of the Regionalization Advisory Commission.
- Support Legislature's Education Committee on Special Commission on School District collaboration and regionalization legislation.

## Attitude

Putting in place the right policies to create jobs and foster economic stability requires a collaborative effort between business and government. The relationship between business and government must be transformed to one of partnership to achieve our shared goals of prosperity, opportunity, and long-term economic vitality. Other states and nations have figured this out and are using it to enhance their own competitiveness. So must we.

### To address this competitive disadvantage, MBR recommends:

## Accepting responsibility in the business community to promote all that is good about doing business in Massachusetts, while working collaboratively to improve the state's long term economic competitiveness.

### Legislative/Policy Action

- Undertake a more aggressive public campaign to promote Massachusetts as a place to do business.

## Conducting an annual survey of attitude toward business, and business attitude about doing business in Massachusetts to benchmark progress.

### Legislative/Policy Action

- Work with University partners to develop benchmark of attitudes against which we can develop an agenda and measure progress.

## Promoting public-private partnerships to address complex public policy issues.

### Legislative/Policy Action

- Use the Holyoke High-Performance Computing Center as a model of public private collaboration to pursue additional economic development opportunities.