

## Keeping Jobs In America

by Ronald R. Pollina, Ph.D.

The annual Pollina Corporate Top 10 Pro-Business States for 2005 study, released in December, finds that in spite of an improved national economic picture, many Americans are still unemployed and a growing number are underemployed. Offshoring of the nation's high-tech and manufacturing jobs is continuing at a rate that is growing in intensity, and yet the federal government and most state governments continue to offer little or no assistance to business to promote job growth.

Underlying the dizzying array of state and federal statistics, indicators and forecasts is a simple fact: the health of our nation's economy is based on providing the people of America with a growing supply of jobs that require higher skills and higher pay. This is not happening, and at the rate that the federal and state governments are moving to rectify the situation, it is not likely to happen.

Expanded for 2005, the Pollina Corporate Top 10 Pro-Business States study examines 26 factors relative to states' efforts to be pro-business, and is the most comprehensive examination of states to date. The study is limited to factors controlled by state governments.

The study takes a comprehensive approach evaluating and ranking states (Table 1) based on a large array of factors including taxes, human resources, right-to-work legislation, energy costs, infrastructure spending, workers' compensation legislation and jobs lost or gained. This group of 13 factors is identified as Labor, Taxes and Other Factors. These factors, all of which are controlled by state government, were used to select the 35 top-ranked states. The top 35 states were then subjected to a second evaluation, which examined 13 additional state government-controlled factors based on incentive programs and state economic development departments. This second group of factors is referred to as Incentives and State Economic Development Agency Factors.

{Table 1}

Top 10 Pro-Business States For 2005

State Score

South Carolina 310

Virginia 307

South Dakota 282

North Carolina 281

Alabama 278

Wyoming 275

Georgia 271

Washington 268

Florida 256

Oklahoma 247

Each of the Pollina Corporate Top 10 Pro-Business States has something to learn from the others, and all 10 should be held up as models for the other 40 states and the federal government. Those states that did not make it into the top 25 of all the states should conduct a serious evaluation of their economic development capabilities for the 21st century. Among the bottom-ranked states are some that have such

weak or non-existent economic development programs or are so inept in their procedures that they are pushing jobs out of their states.

### International Competition

Today, the threat for the potential loss of jobs to a foreign worker is increasing at a more rapid rate than the potential of loss to a worker in another state. All states must place greater emphasis on job retention than they currently are. In general, when it comes to retention of jobs for the American worker, most states and the federal government are failing. In spite of the 2004 election and all the political rhetoric about job loss, the jobless recovery and offshoring, there has been very little progress made by the federal government or most state governments in developing policies or programs to reverse these trends.

Increasing numbers of highly skilled and highly paid jobs in the United States are being shifted abroad in pursuit of low-cost talent. A.T. Kearny expects that more than 500,000 financial services jobs will relocate overseas per year. Forrester Research estimates more than 200,000 engineering, programming and accounting jobs will be outsourced overseas per year. These are exactly the types of jobs U.S. workers thought would always remain in this country. Within 10 years, China will be the world leader in manufacturing, and India the world technological leader.

Pollina Corporate estimates that white-collar losses currently in the United States alone equate to approximately 54 million square feet of office space vacated per year, with a loss of approximately \$1.2 billion in rent per year. This loss is equivalent to closing one-third of downtown Chicago's office space per year. On the manufacturing side, there are approximately 8,500 manufacturing plants closing each year throughout the United States.

### Are Things Better Than They Appear?

To deny the statistics or to simply assume that somehow American ingenuity and tenacity will somehow rectify the trends is not only arrogant but also foolhardy and shows a lack of understanding of what is happening in a very complex international economic system. To assume corporate America or the federal or state governments will rectify the situation is certainly naïve based on their past and current efforts. Today, corporate America, especially the nation's largest corporations, are so dependent on the global marketplace that the demands of production costs and markets have taken precedence over concerns of keeping jobs in the United States. If these companies are to survive they must tie their future to the global market.

These trends are not new and we Americans have federal political leaders who are far too influenced by special interest groups, both domestic and foreign, for them to implement policies to reverse the loss of jobs. Neither the Democratic nor Republican administrators have even insisted on a level international playing field. Both parties have been unwilling to provide the international policy support or investment necessary to make U.S.-located companies more competitive internationally. The fact is that the federal government and many states have taxes and policies that are driving companies offshore.

### How do We Push Jobs Offshore?

The differential in wages is the primary, but not the only reason U.S. corporations choose to move their operations to Asia or Latin America. While foreign governments are not without fault, and there are issues in some countries of political and economic stability and corruption, relocating still may make better economic sense for some companies than dealing with OSHA, IRS, EEOC, EPA and predatory tort laws, especially if there is a wide differential in wages. It is not just federal agencies, but also states and local government that place hurdles in the path of economic development.

According to the AFL-CIO Industrial Union Council (IUC), the loss of jobs is due to flawed U.S. trade and currency policies, rising health care costs, attacks on workers' overtime pay protections and

employers' war against workers' rights to join a union. Certainly, the AFL-CIO and other unions would like to lay the blame for the loss of jobs in the United States at the feet of the Republican Party, and in this they are in part correct. However, the Democratic Party, as well as the AFL-CIO and other unions, should also be held accountable.

Union leaders often point to the lack of workers' rights and environmental laws in other nations, which give them an unfair trade advantage by keeping costs for manufacturers low. To demand that the federal government require workers' rights and environmental standards of our international competitors, while noble, is viewed as arrogant by our competitors, especially when one views our own history in these areas during the 1800s and early 1900s.

We, as a nation and an economy, are part of the international community and world economic systems, and anything we do to restrict these ties will in the short term and long term, impede our growth and economic and political strength as a nation. The best way to keep jobs in America will not be found in tariffs, monetary policies, imposition of workers' rights or environmental laws on foreign governments. The best way to keep jobs in America is to make the United States a better, more friendly and economic place to do business.

#### Can the States Save Jobs Alone?

State governments cannot be expected to compete for jobs on the world market without the federal government's assistance, which is in short supply. As the Pollina Corporate Top 10 Pro-Business States for 2005 study shows, many states are doing a poor job of creating a pro-business environment and competing with other states. The U.S. Congress, as well as state governments must streamline the quagmire of regulations and paperwork imposed on business. They must also offer tax credits or other incentives to those companies willing to invest in technology and training in order to allow low-skilled workers to produce products at reasonable costs. Federal assistance should address plant and equipment financing, job training and a general increase in employee productivity.

An even more complex problem to solve than the loss of manufacturing jobs is the loss of engineering, programming, accounting, financial services and other business jobs. These jobs, whether IT, accounting or financial services, are leaving for good. It is what economists call a structural, rather than cyclical change. Even if the white-collar workers are reabsorbed, they are most likely going to be faced with lower wages, just as blue-collar workers have been. There does not appear to be a new industry being developed to absorb these white-collar employees losing their jobs to global competition.

State and federal programs must be developed to make our workers more competitive globally and our business climate more attractive. The federal government should create incentives for human-capital investment, such as job-training programs, shorten the depreciation period for IT and other high-tech equipment, improve the R&D tax credits, give more federal support for broadband rollout and provide more federal funding for realistic scientific research. Incentives, such as tax credits for companies that hire U.S.-based engineers and financial aid to college students pursuing engineering, math and science who remain in the United States after graduation would help in this effort.

The federal government spends about \$16 billion to \$20 billion per year for agricultural subsidies (80 percent of which goes to 20 percent of the farmers) while investing only \$5 billion in science. Federal assistance to depressed communities, to be passed on in the form of meaningful economic development assistance, is also vital. Much could be done to improve existing economic development programs. Many state and local economic development incentive programs are weak and some are simply fluff legislation with little or no value to business.

## Conclusion

Economists, journalists and politicians will continue to debate the merits and impact of U.S. trade policies; however, in the end, Americans are losing jobs ? the high quality jobs necessary to keep food on tables, maintain self-respect, pay taxes and pay for educating future generations of Americans. At the beginning of 2004, manufacturing jobs totaled 14.3 million, down 3 million jobs or 17.5 percent since mid-2000. This is the lowest level of manufacturing employment since July 1950, and represents a 5.2 million-job decrease from manufacturing's peak year of 1979. This decline in employment is in part due to the recession that began in 2001, and the ensuing weak recovery. While there has been some job recovery since the beginning of 2004, it is unlikely that manufacturing and professional service employment will return to their pre-recession levels.

Unions and many political leaders are quick to point the finger at increased productivity, Free Trade policies, the trade deficit, foreign workers' rights, weak offshore environmental standards, artificially lower currencies and other factors that they believe results in an unfair and non-level playing field that has caused the loss of U.S. jobs. They tend not to look at what little is being done to make the United States a better place to do business. To focus on making the United States a more attractive place to do business would bring unwanted attention to how difficult many unions and federal, state and local governments make it to successfully operate a business in the United States when competing in a global market.

While most political leaders are quick to profess being partners with industry, partnership implies a give and take on both sides of the partnership. This is simply not the case for most governmental bodies and industry knows this. Rhetoric alone does not make a partnership and certainly not one that lasts. Fortunately, there are some political leaders, as evidenced by the Pollina Corporate Top 10 Pro-Business States for 2005 study, who are willing to make it a two-way street. Dr. Ronald Pollina is president and real estate economist for Pollina Corporate Real Estate, Inc. in Chicago. This article is excerpted from the introduction to the Pollina Corporate Top 10 Pro-Business States for 2005 study available at [www.pollina.com](http://www.pollina.com). © 2005-Pollina Corporate Real Estate,