



by Philip Kirschner
President

Report

TO MEMBERS

Faltering NJ Economy Fails To Live Up to Its Promise

In many respects, New Jersey is an ideal location for business. It sits right in the middle of the world's richest and most densely populated consumer market. It also has a first-class workforce, good schools, a great transportation network, and is a nice place to live.

In one respect, however, New Jersey is not living up to its promise these days. After making its mark as a powerful engine of economic growth in the 1980s and 1990s, the state economy is faltering. In the first economic expansion of the new millennium, its performance has been lackluster at best.

In the one area of economic performance that really counts, the rate at which it creates good-paying, private-sector jobs, New Jersey has gone from national leader to national laggard.

The problem isn't just one of performance. There's also a problem of perception. Recent national surveys show that New Jersey ranks at or near the bottom of the 50 states in cost-of-doing-business, business-climate, and tax-burden comparisons.

Fortunately, to date, Governor Jon Corzine and his economic team recognize the problem. They've been realistic in their assessment of the state economy and they haven't succumbed to the temptation, seen in some past administrations, to sugar coat the situation.

Although some state legislators understand the problem, many others don't. NJBIA is working hard to deliver the message that the health of the state economy is among the most important issues confronting the Legislature today. Concrete measures must be taken to address the state's weak job growth and the high cost of healthcare, taxes, energy and overregulation. Here is why legislators should be concerned, starting with the problem of performance.

In the first three months of 2006, a period of healthy job growth nationally, New Jersey lost jobs. That's right. In January, February and March, when the national economy added more than 550,000 jobs in the private sector, New Jersey suffered a net loss of 200 private-sector jobs.

New Jersey's poor first-quarter performance follows an already unimpressive track record in the current expansion.

New Jersey ranked 41st the nation in its rate of private-sector job growth in 2004 and did not fare much better in 2005. New Jersey has added an annual average of about 27,000 private-sector jobs in the current expansion, well below the 60,000-jobs-per-year rate seen in the 1990s and the 90,000-jobs-per-year rate in the 1980s.

Job growth has been weak in New Jersey, but it also has come mostly at the lower end of the pay scale. The bulk of new jobs have arrived in the education, health, and leisure/hospitality industries. Few have come in the high-paying technology and professional and business-service-sectors.

The salt in this already bitter cup of coffee, if you will, is that New Jersey's problems are being talked about nationally. In a national survey by Chief Executive magazine, CEOs gave New Jersey one of the nation's worst business-climate rankings (we came in 46th). And a recent Tax Foundation survey found that New Jersey had the nation's second worst business-tax climate.

A healthy state economy isn't a luxury. It's a necessity. A vibrant, expanding economy creates plenty of good, high-paying jobs. An economy on the move also expands the state tax base, allowing the state to collect more revenues without resorting to tax hikes.

It's time for New Jersey to get serious about becoming more business friendly. **J**