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## The Hollowing Out of America

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RISMEDIA, March 23, 2006—Outsourcing middle income jobs overseas is devastating for REITs, institutional and individual office and industrial building owners, a leading expert in corporate site selection told a news conference at National Manufacturer's Week.

A new study revealed three consequences of outsourcing that impact US real estate:  
More than \$1.2 billion in office rent is lost annually due to jobs shipped abroad  
8,500 manufacturing plants, on average, close annually due to outsourcing.

Approximately 54 million square feet of office space—the equivalent of one-third of the Chicago central business district—goes "dark" every year as a result of outsourcing

Offshoring also reduces the tax ratable value of commercial and industrial properties in the US, while resulting indirectly in further job losses from support industries, reports America's Economy In The 21st Century: Pollina Corporate Top 10 Pro-Business States 2006. "Many of the largest US office markets are struggling, with the exception of those tied to specific industries, like energy, that are doing well," observes Dr. Pollina, the study's author, and president of Pollina Corporate Real Estate, which is headquartered in Chicago.

"While most major downtown markets have seen lower grade office space converted to residential condominiums, the trend is now toward increasingly better buildings being converted," Dr. Pollina told reporters at Manufacturing Week 2006. "In Chicago, the prestigious 52-story IBM Building, a celebrated building designed by famed architect Ludwig Mies van der Rohes, may join the growing ranks of office buildings being converted, in part or in whole, to residential use."

"While the U.S. is losing jobs, as reflected by our office and industrial markets, in less than 15 years, Shanghai has erected enough high-rises to fill Manhattan," noted Dr. Pollina.

"Mirroring this trend in US real estate, Shanghai sold 705 hectares (1,742 acres) of land via public tender, a 52 percent increase over 2004, the Shanghai Daily (Dec. 19, 2005) reported. Most of the land was reserved for commercial use as opposed to 2004, when more than half was for residential use. India's commercial office markets are growing, especially in the suburbs of Mumbai, Delhi, Bangalore and Chennai. Primarily technology and other companies outsourcing to India are feeding these office markets," Dr. Pollina said.

The study focuses not only on the ills that make offshoring attractive, but also on solutions to creating an environment where businesses can keep their jobs and plants here and compete, and what ten US state governments have done to create a competitive climate for companies. But the study also warns about the serious societal ramifications caused when good jobs go offshore.

The future of the American middle class "is like the future of a wood house overrun with termites – close to collapse – as well-paying white and blue collar jobs sail offshore and are replaced by McJobs," warned Dr. Pollina.

"Like a termite-stricken house, the job numbers issued by Washington do not reflect what's going on inside," says Dr. Pollina, who paints a bleak assessment of the future of the US middle class, while offering solutions for job retention and development to keep good jobs in America.

"No Labor Bureau numbers track underemployment," Dr. Pollina explained. "Many outsourcers say that the number of US jobs lost to date represent the tip of the proverbial iceberg – some areas of IT could see a tenfold increase in offshoring, for example."

"The US is taking a one-eye shut approach to economic development that isn't worth much more than taking out a hanky and waving goodbye as our middle class jobs sail out of the port of gainful employment," said Dr. Pollina. He criticized the efforts of the Federal government and most US state and regional governments in job retention and creation. "Government should incentivize and incubate job development and stop penalizing US companies through oppressive taxes and regulations, while providing tax breaks that reward offshoring.

"Keeping US jobs requires a triage approach," says Dr. Pollina. "Governments must identify which jobs will move offshore no matter what, those that will stay, and jobs that can be saved by providing the right pro-business environment and economic incentives. Anyone who believes that we are only experiencing competition that in time will

be overcome by superior US ingenuity is not only arrogant, but foolhardy. They don't understand the complexities of the international economic system nor do they understand how weak our educational system has become."

The Pollina Corporate list of the Top Ten Pro-Business States 2006 includes South Carolina, Virginia, South Dakota, North Carolina, Wyoming, Georgia, Florida, Maryland, Alabama and Kansas. Dr. Pollina stated that "While we should hold the Top 10 states up as examples for the nation, too many of the states that ranked in the bottom 25 category have such weak or non-existent programs or are so inept that they are pushing jobs out of their states. The efforts of the worst of these low-ranking states could only be classified as pathetic."

To learn more or order a copy of the report, visit <http://pollina.com/publications/probiz%7E1.htm>.

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# POLLINA CORPORATE TOP 10 PRO-BUSINESS STATES FOR 2005

## Keeping Jobs in America

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## I. EXECUTIVE SUMMARY

The second annual Pollina Corporate Top 10 Pro-Business States Study 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 twenty-six 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 over which state government has control. The list (Figure 1) reflects state leadership that truly understands the importance of producing the best job opportunities available for their constituents. These state governments understand that they must be very pro-active in the international battle to keep and attract jobs.

The study takes a comprehensive approach evaluating and ranking states 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 fourteen factors is identified as Labor, Taxes, and Other Factors. These fourteen factors, all of which are controlled by state government, were used to select the thirty-five top ranked states. The top 35 states were then subjected to a second evaluation, which examined thirteen additional state government-controlled factors based on incentive programs and state economic development departments. This second group of thirteen factors is referred to as Incentives and State Economic Development Agency Factors.

### CLEAR WINNERS AND CONTENDERS






#### Winners

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 forty states and the federal government. The report also identifies the top fifteen contenders. States that had overall scores high enough to make the 11-15 ranking are strong contenders to make the Top 10 Pro-Business list for 2006. Of these states, Michigan and Delaware were on the Top 10 Pro-Business list for 2004 and could easily be back on the list for 2006.

Those states that did not make it into the top 25 or 50% of all the states should make a serious evaluation of their economic development capabilities for the 21<sup>st</sup> Century. These bottom ranked states need to have their state political leaders give serious consideration to rethinking their efforts to attract and maintain jobs for their constituents. Keeping America employed in good, high-paying jobs will become increasingly more difficult during this century, as other nations continue to make rapid strides in developing their economies, often at the expense of US jobs. Among the bottom-ranked states are some that have such weak or non-existent programs or are so inept in their procedures that they are pushing jobs out of their states.

Fortunately, for the bottom 25 states there are many very strong regional and community economic development organizations. Often these organizations are forced to carry the burden of attracting and maintaining existing jobs with little or no assistance from state government.

**POLLINA CORPORATE REAL ESTATE, INC.  
TOP 10 PRO-BUSINESS STATES 2005**

STATE	SCORE
 <b>South Carolina</b>	<b>310</b>
 <b>Virginia</b>	<b>307</b>
 <b>South Dakota</b>	<b>282</b>
 <b>North Carolina</b>	<b>281</b>
 <b>Alabama</b>	<b>278</b>
 <b>Wyoming</b>	<b>275</b>
 <b>Georgia</b>	<b>271</b>
 <b>Washington</b>	<b>268</b>
 <b>Florida</b>	<b>256</b>
 <b>Oklahoma</b>	<b>247</b>

## **REGIONAL DISTRIBUTION OF WINNERS**

The Pollina Corporate Top 10 Pro-Business States fall into two major geographic groups, South and West, with no representatives in the North. The areas of the country with few or no winners are as interesting as those areas that showed well.

### **The South**

Clearly the south was the leader in terms of number of pro-business states, with six of the Top 10 including South Carolina (1<sup>st</sup>), Virginia (2<sup>nd</sup>), North Carolina (4<sup>th</sup>), Alabama (5<sup>th</sup>), Georgia (7<sup>th</sup>), and Florida (9<sup>th</sup>). The only southern state new to the list for 2005 is Florida. It would appear that most of the southern states understand the importance of creating a pro-business and pro-jobs environment. Grouped tightly geographically, it would also appear that in order to compete with each other, these states have developed the systems necessary to provide a pro-business environment.

South Carolina is the overall highest ranked Top 10 Pro-Business State, which reflects very highly on the state's political leadership. It moved from 8<sup>th</sup> place on the Top 10 Pro-Business list for 2004 to 1<sup>st</sup> for 2005. South Carolina's workforce training is a top priority. Its Center for Accelerated Technology Training (CATT) Program has long been regarded as one of the leading job training programs in the country.

Combined with a relatively low cost of doing business and an almost non-existent union presence, it has become a major player in the game of attracting corporate investment and jobs. South Carolina (214 points) did not rank number one in Stage I, Labor, Taxes and Other Factors of the analysis, falling behind South Dakota (242 points), Wyoming (234 points), Florida (218 points) and Virginia (218 points) (Figure 17), but did take 2<sup>nd</sup> place after Michigan with 96 points for Stage II, Incentives and Economic Development Agency Factors of the study.

Virginia, last year's top ranked Pro-Business State, slipped to second place. It ranked consistently high in nearly every category under Stage I, Labor, Taxes, and Other Factors. Virginia also ranked in the top ten for Stage II, Incentives and Economic Development Agency Factors. Virginia's overall business-friendly tax environment, location, market access, education, and infrastructure are especially enhanced by one of the strongest and most professional state economic development agencies in the nation.

North Carolina (4<sup>th</sup>) is without question a strong winner when it comes to being pro-business. The state ranked high in both major categories making the top ten under Stage I, Labor, Taxes, and Other Factors and Stage II, Incentives and Economic Development Agency Factors. North Carolina has become one of the most competitive states in the nation through the use of their five-tiered county system where credits or incentives are based on a system in which tier one is the most economically distressed area and is thereby eligible for the greatest assistance. These credits are available for creating jobs, investing in machinery and equipment, technology commercialization, research and development and substantial investment in other property.

Alabama (5<sup>th</sup>) has held its position on the Top 10 list from last year and has shown that it can compete for jobs with the most aggressive states. It is a state that understands what business needs to be successful. Alabama was one of only four states, all southern, that ranked high in both major categories, Labor, Taxes, and Other Factors and Incentives and Economic Development Agency Factors. In general, when it comes to labor and taxes, Alabama provides a business environment that is competitive with any location in the United States.

Georgia has improved its standing as a Top 10 Pro-Business State by moving from last year's position of 9<sup>th</sup> to 7<sup>th</sup> for 2005. While it ranked 6<sup>th</sup> in terms of Stage II, Incentives and Economic Development Agency Factors, it did not make the Top 10 in Stage I, Labor, Taxes and Other Factors. Its job training and tax credit programs are the core of a sound incentives and economic development department.

Florida is new to the Top 10 Pro-Business list for 2005 holding the number 9 position. In Stage I, Labor, Taxes and Other Factors, it ranked 3<sup>rd</sup> but had a disappointing showing for Stage II, Incentives and Economic Development Agency Factors with only 40 points. Although Florida's incentives are not very competitive when compared to other Top 10 Pro-Business southern states, it does provide incentives for corporations including loan packages, workforce training assistance, property tax abatements, and corporate income tax credits.

### The North

Not one northern state made the Top 10 Pro-Business States list this year. In general, the Northern states with the exception of Michigan (13<sup>th</sup>), and Delaware (15<sup>th</sup>) showed relatively poorly. Not a single New England state ranked in the Top 10 list or ranked in the top ten in either major category, in spite of their need to provide more and better job opportunities due to the major loss of jobs these states had during the latter half of the 20<sup>th</sup> Century. These states' legislators clearly need to make a major effort if they are to provide a stronger economy and more and better employment opportunities for their constituents.

### The West

In the West, South Dakota (3<sup>rd</sup>), Wyoming (6<sup>th</sup>), Washington (8<sup>th</sup>) and Oklahoma (10<sup>th</sup>) represented their region best. South Dakota and Wyoming, while ranking very high in Stage I, Labor, Taxes and Other Factors, 1<sup>st</sup> and 2<sup>nd</sup> respectively, did not do very well in terms of Stage II, Incentives and State Economic Development Agency Factors, both ranking below 20.

Ranking 3<sup>rd</sup> on the Top 10 Pro-Business list, South Dakota has moved up from the 6<sup>th</sup> position since 2004. It ranked the highest of all states in terms of Stage I, Labor, Taxes and Other Factors with a score of 242 points. In terms of Stage II, Incentives and Economic Development Agency Factors, the state had a mediocre score of 40. It provides a comprehensive business climate that is very appealing, featuring no corporate income tax, no individual income tax, no inventory tax, and right-to-work status.

Wyoming (6<sup>th</sup>) prides itself on being a right-to-work state with no income taxes, no inventory tax, and low operating costs for business. Wyoming ranked number 2 for Stage I, Labor, Taxes and Other Factors with a score of 234 points but had a disappointing score of 41 points for Stage II, Incentives and Economic Development Agency Factors.

Washington, the number 8<sup>th</sup> ranked state is new to the list for 2005, ranking 12<sup>th</sup> in 2004. At number 8, it was the only Pacific coast state to make the Top 10. Of the Top 10 Pro-Business western states, Washington was the only state to be ranked 1-10 for both Stages I, Labor, Taxes and Other Factors (8<sup>th</sup>) and Stage II, Incentives and Economic Development Agency Factors (9<sup>th</sup>), with cumulative points of (268).

Oklahoma slid from the number 3 position in the Top 10 Pro-Business list for 2004 to number 10 for 2005. Its overall rank of 31 in terms of Stage I, Labor, Taxes, and Other Factors held the state back. It ranked 3<sup>rd</sup> in terms of Stage II, Incentives and Economic Development Agency Factors. It is a state that understands international competition and is willing to take the necessary steps to be globally competitive. In the west, Oklahoma is certainly a state that companies should be looking at.

### Many States Shortsighted

Unfortunately, in today's climate of large state deficits, some states are still reacting in a very shortsighted manner by rescinding incentive programs or increasing taxes, thereby worsening their business climate, which will result in fewer jobs and investments, and increasing deficits. The states that made the Top 10 Pro-Business States list recognize that in the economic development business, maintaining a healthy economy comes with a price tag.

While a professionally trained economic development department may cost a state more to hire, it is an essential component in the success of a state's economic development efforts. There are some states that have excellent incentive programs, but weak economic development departments. On the other hand, some states may have excellent economic developers, but provide them with little in the way of programs to retain or attract jobs. Among the fifty states, only 18 states employed Certified Economic Developers (CEcD's) for a total of 42 for all states. Only 72 of all state economic development workers belonged to the International Economic Development Council (IEDC), the premiere source of information and training for economic development professionals. Six states employed no CEcD's and had no state employees that belonged to IEDC.

### International Competition

Today, the threat for the potential loss of a worker's job 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, the 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 or most state governments in developing policies or programs to reverse these trends.

Increasing numbers of highly skilled and highly paid jobs in the US are being shifted abroad in pursuit of low-cost talent. These are exactly the type of jobs US workers thought would always remain in this country. Within ten years, China could be the world leader in manufacturing, and India the world technological leader.

Pollina Corporate estimates that white collar losses in the US 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.

### Are Things Better Than They Appear?

In recent years there have been volumes written about the threat to US manufacturing and high-tech industries. This information has come from numerous sources including unions, union think tanks, Republicans, Democrats, newspapers, business publications and economists. There are those that would have you believe the sky is falling, and those that prefer to believe that we are only experiencing competition that in time will be overcome by the superiority of US ingenuity and tenacity. To deny the statistics or to simply assume that somehow American ingenuity and tenacity will somehow rectify the trends is not only arrogant but fool hearty and shows a lack of understanding of what is happening in a very complex international economic system.

To assume that 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 market place that the demands of production costs and markets have taken precedence over concerns of keeping jobs in the US. If these companies are to survive they must tie their future to the global market.

These trends are not new and we 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 US located companies more competitive internationally.

With few exceptions, most state and local governments do little if anything to foster economic development and place their states in a more competitive international position. The fact is that the federal government and many states have taxes and policies that are driving companies offshore.

Much has been written in support of the theory that the service sector of the US economy will compensate for the losses incurred in the manufacturing sector. The argument is that we are now in a post-manufacturing economy. However, our service sector is also beginning to show the effects of offshoring. The US service surplus is eleven percent, the size of our manufacturing deficit and the service surplus has decreased by 0.5% of the GDP over the past seven years. It is therefore not likely that our current trade deficit in manufacturing goods can be carried through a growth in service exports.

The US continues to be more reliant on foreign sources for strategically critical products and components, making the US more vulnerable to international crises. A 1999 National Research Council study warned that, during national crises, greater reliance on foreign sources could threaten the security of product information and product sources, including those required for national security.

#### Rural Economic Development

Today, six of every ten rural areas lag behind the national economy in terms of creating new jobs. Productivity gains in agriculture and manufacturing have resulted in fewer employees required and the loss of jobs. The manufacturing sector has been particularly hard hit, due also to off-shoring. The result is that considerable pressure is being applied to rural areas to both develop new economic generators and become more competitive nationally and internationally.

Many, but not all rural areas recognize that they are no longer competing for jobs with neighboring counties or even an adjacent state but rather with a rural community or major city in another country, such as China, Mexico or Thailand. Industrial, back-office, and high-tech job attraction and retention has become a high cost, high risk, and very sophisticated process – a process that most rural communities can not address on their own. Every region must understand its strengths and weaknesses, select a niche that has a good chance of success and then invest the time, effort and resources necessary to achieve success. The strategy and execution must be world class or they will not succeed in the global marketplace.

Over the last four years, rural communities have lost 570,000 factory jobs, approximately a 12 percent drop, a considerably greater percentage drop than in metropolitan areas. Rural regions have been tied too strongly to agriculture and natural resources, primarily mining and timber. All of these industries continue to be consolidated and controlled by large corporations and, through rapid gains in productivity, require fewer and fewer workers.

Today, the Department of Labor reports that approximately 5.1 million workers are engaged in agriculture and related work (1 million are self or family-employed) and 17.7 million in manufacturing. While the federal government and most states have done little to protect manufacturing jobs, billions are spent each year to protect agriculture jobs or more precisely – to protect crops produced by large agri-businesses. The nation's powerful agriculture lobby is siphoning off federal dollars that could be used to build a strong national manufacturing basis and preserve jobs.

### *Are We Pushing Jobs Offshore?*

The differential in wages is the primary, but not the only reason US 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, it still may make better economic sense for some companies than dealing with OSHA, IRS, EEOC, EPA and substantially less 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. Permitting review and approval periods that should take days or weeks can often take months or even years. In addition to unusual or high local business taxes, exceptionally high permitting fees, tap-on fees and development fees do not provide a pro-business environment.

According to the AFL-CIO Industrial Union Council (IUC), the loss of jobs is due to flawed US trade and currency policies, rising healthcare costs, attacks on workers overtime pay protections and employer's war against worker's right to join a union. Certainly, the AFL-CIO and other unions would like to lay the blame for the loss of jobs in the US 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 worker's 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 worker's rights and environmental standards of our international competitors, while noble, is viewed as it would have been by the US 100 years ago as arrogant, especially when one views our own history in these areas.

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 both 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 worker's rights or environmental laws on foreign governments. The best way to keep jobs in America is to make the US a better, more friendly and economic place to do business.

### *Can the States Save Jobs Alone?*

State governments can not be expected to compete for jobs on the world market without the federal government's assistance, which is in short supply. As our research has shown, many states are doing a poor job of creating a pro-business environment and competing with other states. The US 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, better the R & D tax credits, give more federal support for broadband rollout and more federal funding for realistic scientific research. Incentives such as tax credits for companies that hire US-based engineers and financial aid to college students pursuing engineering who remain in the US after graduation would help in this effort.

The federal government spends about \$20 billion per year for agricultural subsidies 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.

Economists, journalists and politicians will continue to debate the merits and impact of US trade policies; however, in the end, Americans are losing jobs – the high quality jobs necessary to keep food on family tables, 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 its pre-recession level.

Unions and many political leaders are quick to point the finger at increased productivity, Free Trade policies, the trade deficit, foreign worker's rights, weak off-shore environmental standards, artificially lower currencies and other factors which they believe results in an unfair and non-level playing field that has caused the loss of US jobs. They tend not to look at what little is being done to make the US a better place to do business. To focus on making the US 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 US when competing in a global market.

Some would like to attribute job loss in manufacturing to changes in consumer demand and improved productivity, because it is easier than to state that there is little political leaders have done to stop manufacturing's decline. They also believe that international trade is not at fault for this decline; it is the result of domestic factors of demand and productivity. There are also those who claim that outsourcing of jobs including high-tech jobs will lead to new jobs in the US by allowing companies to reallocate capital to new opportunities. Only eleven percent of the people making these decisions would agree according to a survey of executives conducted by *CFO Magazine*.

The unions and their think tanks would like to see China and other countries revalue their currency up, and the US devalue the dollar. They often also argue for tariffs and other trade policies to restrict imports and overlook the principle reasons jobs are going offshore – high wages, costly benefits, stifling government red tape, rapidly growing offshore markets and a general negative attitude and lack of support of the federal government and most state and local governments.

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 that are willing to make it a two-way street. The primary purpose of this report is to point out those state governments willing to make true partnerships with industry.

### Conclusion

It appears that of all fifty states, the Pollina Corporate Top 10 Pro-Business States best understand the competition the US worker is facing on an international, as well as on a national basis. 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, the states and the federal government are failing. States with strong incentives and economic development agencies recognize the need to offer programs to retain industry and jobs. These states recognize the challenge, and are stepping forward to meet that challenge.

In addition to providing state and federal assistance for automation, 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. American companies generally do not understand the economic development programs available, and are often reluctant to use them. Flexibility is one of the key components to a successful incentive program. Generally, legislated incentive programs tend to be very rigid in their structure, benefits and qualifications. Furthermore, the majority of states provide considerably less assistance to companies already in their state, compared with assistance given to those moving into the state. In the past, this lack of assistance has driven many companies from one state to another; today, these companies are increasingly being driven offshore.

State governments can not be expected to compete for jobs on the world market without the federal government's assistance, which is in short supply. As our research has shown, many states are doing a poor job of creating a pro-business environment and competing with other states. How can these states also be expected to compete internationally? The US Congress, as well as state governments, must 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. Being a good citizen in the world economic community does not require the US to diminish its own strength by exporting jobs. The US cannot remain the world's leading economic engine with a continued erosion of its economic strength.

An even more complex problem to solve than the loss of manufacturing jobs is the loss of engineering, programming, accounting, financial services, and other white collar business jobs. The loss of this talent and intellectual assets could have an even more devastating impact on our economy and way of life than the loss of manufacturing jobs.

Our universities and colleges need to look hard at what is happening in the world. In the US, the tendency is to place greater emphasis on liberal arts rather than science and engineering. As the statistics have shown, the US is losing its industrial dominance and is starting to lose its technological dominance, which does not bode well for economic growth.

Our nation's strength has come from our middle class. This middle class, during the 20<sup>th</sup> Century, was anchored by a solid K-12 education system, and manufacturing that provided good wages and benefits. This middle class has been eroded and will continue to be eroded as our work force ages and is replaced by less educated immigrants. Unfortunately for these immigrants, the stepping-stone to the middle class that was

provided by manufacturing jobs during most of the last century is rapidly disappearing. During the last economic boom period, much of the employment growth that occurred was in low-wage and low-benefit service jobs. These are the jobs that will continue to fuel immigration, but do not support entrance into the middle class.

The agriculture industry learned many years ago that they must have federal support to survive. State and Federal governments have long banded together to protect this industry. The Pollina Corporate Top 10 Pro-Business States recognize this fact. When these states' political leaders develop programs to keep and attract manufacturing and high-tech jobs, they are keeping their constituents employed, and thereby maintaining strong state economies and families. More states, and certainly the federal government, need to understand this and act upon it.

Does the crisis facing the US relative to the loss of blue-collar and white-collar jobs reflect poorly on the US? Most state governments and the federal government, either do not see the problem, or will not acknowledge it, or even more absurdly acknowledge the problem but believe they cannot help resolve it. It should be very clear from this analysis, most states are doing virtually nothing to retain and compete for jobs or are making feeble ill-conceived attempts and poorly executed efforts. This is a problem that reflects poorly not only on the current but the past elected congressional and executive leadership.