

APPENDIX B-11: FOCUS DISCUSSIONS WITH NEW JERSEY BUSINESSES

Discussions Completed

Eleven focus discussions were completed with New Jersey companies and one more with a business owner association. The association and companies surveyed are very diverse and represent a large variety of the business communities of New Jersey. The companies range from large international telecom companies that have been in the state for more than a century to small health organizations that have only been present in the state for 11 years. North, Central and South New Jersey, as well as each major employment sector of the State economy are represented.

As a result of the diversity of the survey sample, we received several different opinions about the nature of New Jersey's business climate. Most responses were quite critical, although nearly all of them also found areas of the state policy that they could praise. While none of the companies we surveyed had plans to leave the state, their reasons for doing so were based on internal company reasons rather than any incentives that were offered by the state

The following paragraphs analyze different aspects of New Jersey's business policies and include a section for "take away" bullet points that quickly summarize the areas of common ground.

New Jersey General Strengths

- Highly skilled workforce
 - Although more should be done to encourage workers to consider/ train for positions in smaller non-technical industries
- Strong institutions of higher education
- Proximity to major metropolitan areas

Nearly all respondents immediately mentioned the state's talented workforce as a major strength. Many proudly claimed the talent pool in New Jersey to be among the best in the country. These leaders are quick to credit the state's educational system for training the employees for the workforce. However there does appear to be a disparity in the level of workforce quality between "white and blue collar" jobs. Business leaders in the blue collar jobs commonly express the opinion that workers should be better prepared for the skills they will need to have to succeed in their industries.

Generally, business leaders believe the state should do more to be certain that the state retains its talent pool. Business leaders in the smaller and specialized sectors, such as manufacturing and health care, wish more could be done to encourage workers to fill jobs in their sectors in addition to the large technical companies.

Additionally, nearly all respondents praised the state's geographic location. They cited easy access to ports and major metropolitan areas. These urban areas are especially beneficial to major corporations who can use these venues for shipping and marketing. However, the location is also beneficial for attracting young, bright workers who want to live in an area close to the large cities

New Jersey General Challenges

- Cost to do business is high
 - Personal income tax and corporate income taxes and property taxes are too high
- Department of Environmental Protection (DEP) has created an unfriendly regulatory environment
- Legislative branch has little understanding of the business environment and is generally unresponsive
 - Proposed Paid Family Leave Plan is detrimental to business

Business leaders throughout the state are quick to mention New Jersey's high tax rates as being a strong impediment to their business success. The taxes most often cited are the property or real estate taxes, corporate income and individual income taxes. While some business leaders of major corporations say that the large size of their companies shield them from being adversely affected by the tax structure, they do believe that the tax rates would present challenges for smaller businesses. Meanwhile, small to mid-sized businesses claim that these taxes are a large part of an overall detrimental cost of doing business within the state.

Another frequent complaint from business leaders is that elected officials, particularly those in Trenton, are non-responsive to the needs of business leaders. A common claim is that legislators frequently take power away from business leaders and make decisions for them. A prime example of this is the proposed "Paid Family Leave Act" that would allow employees a period of six weeks of paid time away from work to care for ailing family members. Business leaders believe this Act could be potentially devastating to business practices, and believe that they should be able to make decisions on granting paid leave to employees.

The Department of Environmental Protection (DEP) is equally unpopular with most business leaders. Many see the DEP as an organization that is overly regulatory and often issues arbitrary and excessive fines for minor infractions. An example of this would be a construction company failing an emissions inspection by half of a percent, and being saddled with an excessive fine. The business owner thought it almost useless to appeal the decision, because under New Jersey law, if he won his appeal, he would still have to pay half of his fine. The common sentiment among business leaders is that the operation of the DEP needs to be re-evaluated and made to set reasonable standards that are more business-friendly.

Despite their complaints, only two of the business leaders we surveyed were considering leaving the state. One of them wanted to follow his customers' exodus to the state of Pennsylvania. In his opinion, Pennsylvania offered more opportunities for business growth. The other business owner was thinking of moving to the southern region of the country, as soon as the right opportunity presented itself for him to leave.

The remaining businesses, despite several complaints with the state, had no plans to leave. However, their reason for remaining in New Jersey was due to internal considerations, such as not disturbing their workforce, rather than staying due to New

Jersey's business policies. In fact, some of these remaining businesses would leave the state were it not for those internal considerations. If they were able to leave, most business leaders would seek the refuge of southern states, such as Virginia and North Carolina, where taxes are lower and there are more business friendly regulations. Additionally, these leaders would avoid states that have high regulations such as Massachusetts, New York and California.

Evaluation Metrics

Public Policy

- Public policy is anti-business
- Policy leaders don't listen to business leaders
 - Legislators ability to hold multiple positions is disturbing

A common complaint when it comes to the state's public policy is that business leaders often feel ignored by state decision-makers. Legislators will often pander to the public, but rarely take the advice of business leaders, and often pass legislation that is detrimental to business practices. Furthermore, many business leaders also complained about the state policy that allows legislators to hold more than one office, a practice that is decried as corrupt. While one respondent claimed that Governor Corzine's policies were improving the business climate, most business leaders said that the governor has been advocating for policies, such as paid family leave, that are generally anti-business.

Regulatory Policy

- The Department of Environmental Protection (DEP) is an overly aggressive agency
 - Policies may actually discourage environmental practices
- Labor Regulations (workers compensation, paid family leave) are too restrictive and anti-business
- Requirement for a small business to register in each state agency's database is burdensome

Business leaders, with the exception of the largest multi-state corporations, find New Jersey's regulatory practices to be overaggressive and anti-business. Business leaders that make a good faith effort to comply with regulations are often treated as serious violators for minor infractions. Additionally, regulations requiring small business leaders to register with each state agency's database, instead of a central depository for suppliers, are seen as burdensome. A common frustration expressed by business leaders is the perception that recommendations to reform regulatory agencies are often ignored by state politicians.

A common target of this criticism is the DEP, whose practices are seen as overly punitive to business leaders that put in a good faith effort to comply with regulations. Appellate processes for minor infractions still result with a business leader paying half of a fine issued by the agency, even if the appellate process clears the business of its violation. Furthermore, the cost for some construction and manufacturing industries to

recycle is excessive and subtly offers business leaders an incentive to avoid recycling, which is contrary to the stated purpose of the agency.

Tax Policy

- Taxes (Property, Corporate, and Individual income taxes) are too high
 - Suggest uncoupling the state tax from the federal tax structure
- Real problem is government spending, which needs to be under control
 - State needs to prioritize spending

Most business leaders see New Jersey's taxes as being much too high. Business leaders cite property, corporate income and individual income taxes as being especially excessive. Often, struggling or failing businesses are still taxed even when they are losing money. Some business leaders fear that some taxes, such as individual income tax and property taxes, may deter potential job-seekers from seeking employment in the state. Additionally, others claim that the high property taxes are a disincentive toward expanding the business.

Other businesses claim that while taxes are high, the real problem is government spending. These business leaders are particularly critical of the government engaging in wasteful spending on ineffective programs. Although one business leader praised the state from moving away from a "borrow and spend" mentality, others believe that there needs to be action to reform their tax structure. These leaders suggest prioritizing spending and avoiding wasteful programs.

Innovation

- Current policies to spur innovation have been too narrow and restricted to only one sector of business
- Gather business leaders together for brainstorming sessions on best business practices
- Provide incentives and encouragement for business leaders to invest in their own innovation

Some of the state's efforts to encourage innovation are too narrow and focused on only one sector of the economy (e.g. bio-technology/stem cell research). Business leaders largely believe that the best way for the state to encourage innovation is to engage business leaders in discussions, and act on their recommendations. Many of the "best practice" recommendations that business associations submit to the state contain suggestions for incentives that would encourage businesses to invest in innovation within their respective business sectors. While some county governments are already doing this, many business leaders feel as though their recommendations are ignored on the state level.

Workforce Issues

- Need for lower taxes for employers and employees
- Need for less regulation
- Reform manner of training unskilled laborers

Business leaders had divergent views as to pressing workforce issues within the state. This was largely due to the differing nature of their businesses. Some dealt with internal issues, such as emerging competitors within their field. However, some of the common themes related to state action where there is a need to reduce taxes. The taxes are not only difficult for employers to pay, but they also serve as a deterrent to younger workers, and may explain why people are choosing to leave the state.

Other companies renewed their call for decreased regulations. The proposed Family Leave Act is perceived as very detrimental to the business process and leaders believe the idea should be reformed or abandoned entirely. Other business leaders also believe that easing regulations on health care issues would greatly improve the business climate.

Finally while most business leaders in “white collar” jobs have a competitive pool of talented people to choose from, blue collar industries are challenged with a shortage of people to fill their positions. Some business owners believe the state should do more to make the state more attractive to blue collar workers. Additionally other leaders believe the state should concentrate some fiscal resources on preparing blue collar workers with the skills they will need to succeed in their industries.

Education

- Higher education is highly praised; new workers are among the “best and brightest”
 - The state could do more to improve secondary education
- Business leaders would prefer that curriculums be tailored toward the needs of a specific business
 - Don't ignore certain industries

Generally, business leaders were extremely complimentary of the state education program. The state's universities, and private and community colleges received a lot of praise for turning out some of the nation's best and brightest young workers. However, some business leaders have expressed a desire for the state to invest more in secondary education without engaging in careless spending.

Most business leaders also felt that these students were exceptionally well prepared for the workforce. However, some industries, such as construction and health care, believe the state should do more to tailor the students' curriculum to the specific needs of a business. Additionally, leaders in the construction industries note that the school systems are inclined toward steering students away from careers in construction. Leaders in this industry believe that schools should inform students that they can actually be quite financially stable in this industry.

Barriers to Starting a Business in New Jersey

- High taxes/ Cost of Living (Property, Corporate Income, Individual Income)
- Excessive regulation

All of our business leaders listed high taxes and excessive regulations as the largest barriers to a business that is considering locating in New Jersey. When it comes to taxes, business leaders list the property, corporate and individual income taxes as especially burdensome. Some business leaders fault the high taxation rate for causing a significant portion of their workforce to flee the state. In terms of regulations, business leaders consider the DEP and the proposed Paid Family Leave Act to be strong deterrents toward starting a business in the state.

FUTURE OF NEW JERSEY

New Jersey in the Next Five Years

- Answers were extremely diverse
 - Most said that the state would be in a downward spiral
 - Others said the state would either stay the same or improve

Business leaders had diverging views when it came to their projections for the future of their state. Most thought that the state was in a downward spiral. One business leader was more optimistic citing Corzine's administration as enacting policies that have the potential to grow businesses. Another leader thought that the state's level of economic growth would remain at the status quo. However, with the state's reputation for high taxes and strict regulations, the majority of business leaders did not see a potential for change within five years.

Businesses Moving/Expanding

- Most respondents not moving or expanding
 - The one business leader who did expand did so for internal reasons
- Reasons for remaining in the state are unrelated to state policies

These particular questions did not necessarily apply to the largest companies, as many of them already have branches outside the state. However, among the other respondents, most were not actively in the process of moving or expanding their businesses either within the state, or considering another location outside the state. The few business leaders who did expand their business within New Jersey did so for reasons unrelated to state policy. Finally, there were some business leaders that would like to move to a more business friendly state. However, they have remained in New Jersey to build cohesion with their workforce, and not because of a state policy.

New Jersey's Geographic Advantages

- New Jersey overall has a tremendous geographic advantage as a state
 - Cities with access to ports are a major advantage
- Areas of the state closest to major metropolitan areas (New York, Philadelphia) make transacting business much easier
- State needs to improve infrastructure

Most business leaders thought that the state of New Jersey provided enormous geographic advantages for companies looking to locate there. Specifically, business

leaders were particularly complimentary of sectors of the state like Newark, having strong access to ports (air, rail, and sea), and see this as particularly advantageous to business. However, the state infrastructure was often criticized as being old and in need of serious attention and repair in order to keep up with the demands of business.

State and Economic Development Agencies

- In general most state agencies are very helpful
 - Exceptions are the DEP and Department of Agriculture
- State EDA received some mixed opinions about its effectiveness

In this category, there were some widely divergent views. Viewed a whole, the majority of business leaders were generally very positive about the state agencies. They were seen as very helpful to business. However, there were some exceptions to this opinion, particularly in regards to the Department of Environmental Protection (DEP) which was seen as overly aggressive and punitive. Additionally, the Department of Agriculture was criticized as being “unresponsive” to business interests.

The New Jersey Economic Development Agency (EDA) also received differing views from the businesses included in our survey. Many viewed the agency to be very helpful. However, others accused the agency of being beholden to the labor unions and generally unresponsive. Additionally, even some companies that were initially complimentary about the EDA admit that the state should be more creative in their methods to promote business in the state.

Recommendations for the Future

- Pay more attention to business leaders
- Have legislature consider the consequences (particularly the fiscal and business cost) of the legislation they are writing

Nearly all businesses participating in this survey strongly recommended that state leaders develop a closer working relationship with business leaders. The state leaders should pay particular close attention to the business community’s recommendations on how to control state spending and excessive taxation. Those recommendations generally include everything from changing the state budgeting process and including a plan to pay down state debt, to recommending that legislators make an honest assessment about the relevance of their legislation and its potential adverse effect on business.

