

# Maryland Business Research Partnership

## MARYLAND BUSINESS CLIMATE SURVEY

First Quarter, 2003

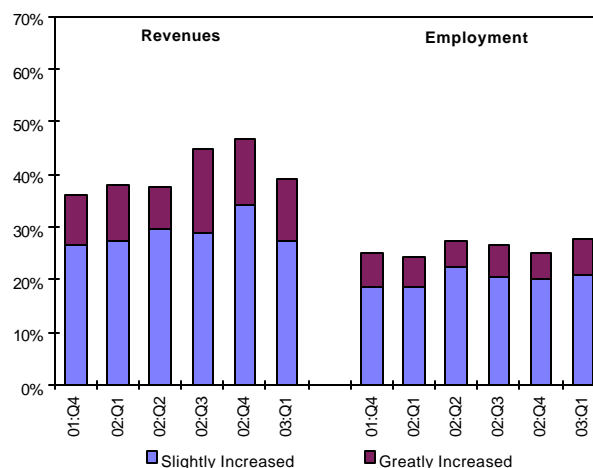
### 2003 Starts off to a Mixed Start

In the first quarter of 2003, Maryland firms reported that they experienced increases in employment growth while the percent reporting revenue growth fell. The percentage of firms reporting revenue growth decreased from 47% in the fourth quarter of 2002 to 39% in the first quarter of 2003. This decrease in firms reporting increases in revenue ended the upward trend over the past two quarters. The percentage of firms reporting increases in employment during the first quarter of 2003 has held fairly steady over the previous several quarters. The percentage of firms reporting increases in employment in the first quarter of 2003 was 28%. While the decrease in firms reporting increases in revenues is not a positive sign alone, the fact that Maryland has shown resilience and not experienced dramatic fluctuations is a positive sign for the State.

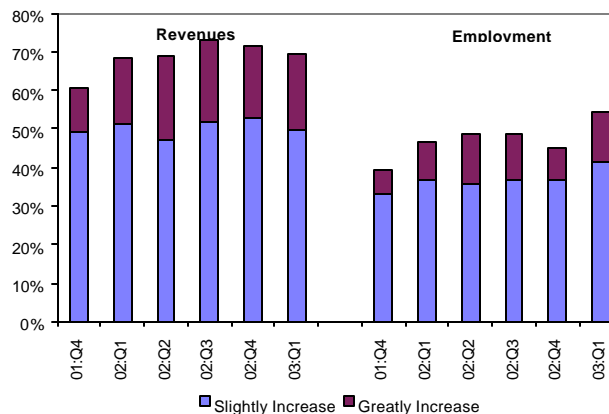
### Firms Paint Rosier Picture for 2003

Maryland businesses have indicated that they foresee an improved 2003. The percentage of firms expecting revenue growth in the coming year fell slightly to 69% in the first quarter of 2003, while the percentage of firms expecting employment growth in 2003 increased from 45% in the fourth quarter of 2002 to 54% in the first quarter of 2003. The high level of expectations for future revenue growth and the increased expectations for employment growth is a strong sign that Maryland businesses are expecting a quick positive upswing in the State and national economy.

### Performance in the Past Year % Firms Reporting an Increase



### Expectations for the Coming Year % Firms Reporting an Increase



## Labor Market Problems Much Less a Hindrance

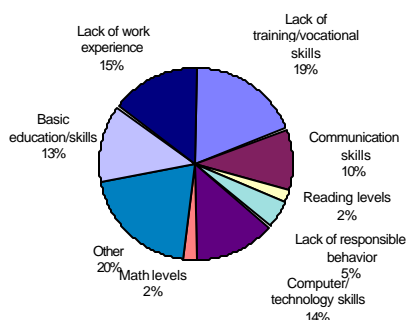
With the continued low unemployment rate in Maryland, only 27% of responding firms in 2003 stated that labor market conditions in Maryland have hindered their ability to do business. Although this is a decline in results from previous years, there still exists a strong demand for skilled workers by employers across Maryland. Survey participants were also asked if they viewed labor market conditions as a *competitive asset* or a *competitive weakness* to the State. Thirty-four percent (34%) of firms reported labor market conditions in Maryland as a *competitive asset* and 26% responded that the conditions are a *competitive weakness*.

## Basics and Training Most Lacking in Workers

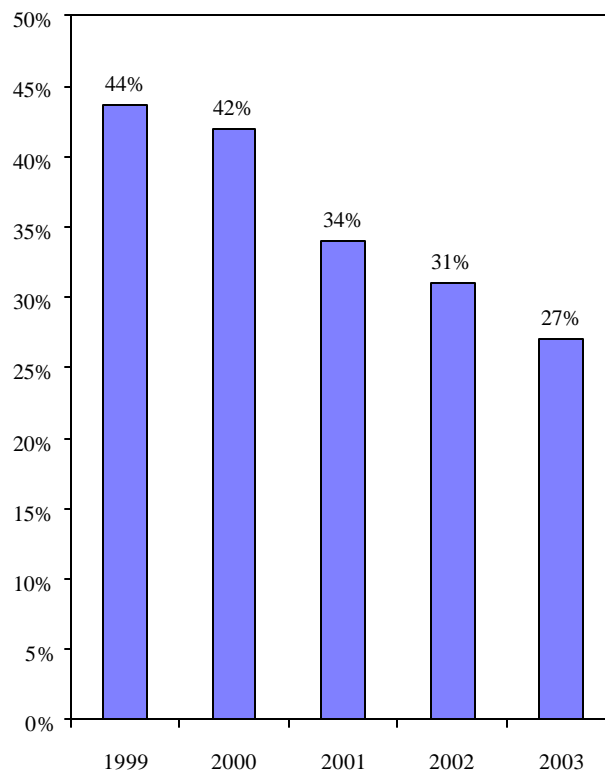
In the first quarter of 2003, 84% of the surveyed firms hired employees who have only a high school level of education. When these businesses were asked if these employees have the necessary skills to perform their jobs, 38% of the firms responded that they do not.

The greatest problems that employers noted were a *lack of training/vocational skills* (19%), a *lack of work experience* (15%), a *lack of computer/technology skills* (14%), a *lack of basic education* (13%), and a *lack of communication skills* (10%). Businesses across the State have both consistently noted and increasingly noted a need for better training/vocational skills and prior work experience among high school applicants.

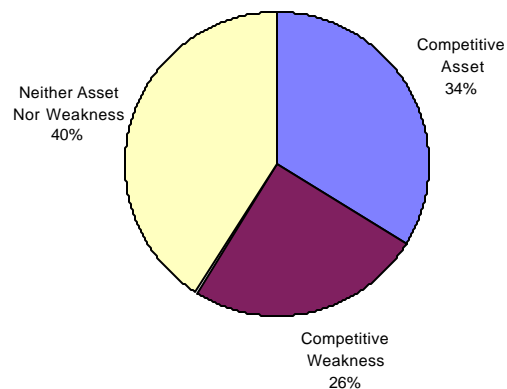
## Problems with Graduates' Qualifications



## Firms Reporting that Labor Market Conditions Hinder their Ability to do Business



## Overall Labor Market Conditions In Maryland



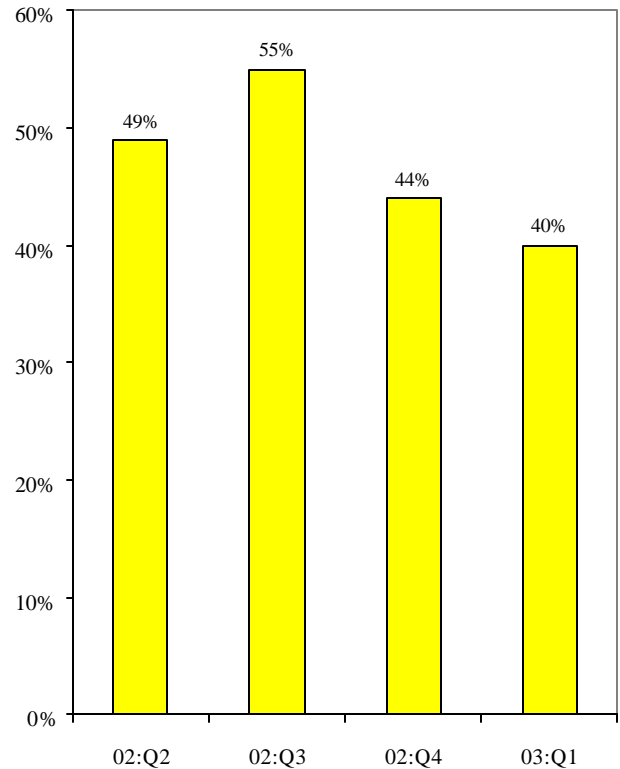
## Worker Shortages Continue to Fall

The percentage of firms reporting worker shortages decreased dramatically from the third quarter of 2002 to the first quarter of 2003. In the third quarter of 2002, 55% of firms reported experiencing worker shortages and in the first quarter of 2003, 40% reported worker shortages. This decline in firms reporting worker shortages is in alignment with the continued lower hiring activity of Maryland businesses. As Maryland businesses realize the growth in employment gains that they are projecting, firms can be expected to report increased difficulty in finding qualified and skilled workers.

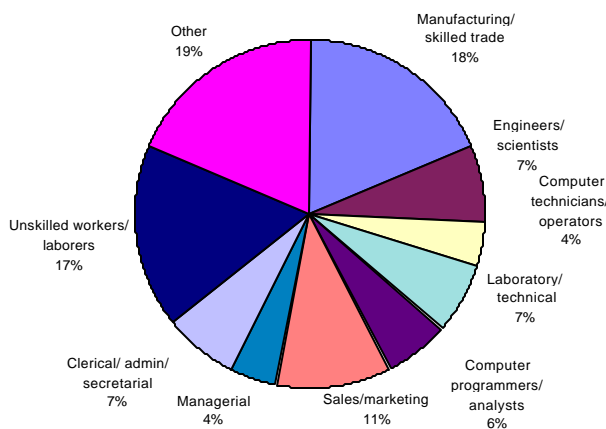
Companies currently reporting difficulties in hiring workers were asked whether these were *short-term* shortages, *long-term* shortages, or *both*. In the third quarter, 33% of firms reported *short-term* shortages, 23% reported *long-term* shortages, and 44% reported *both* short and long-term shortages.

Firms that reported worker shortages were also asked which position(s) created these recruitment problems. The positions that firms responded to having the greatest difficulty in filling were *manufacturing/ skilled trade* (18%), *unskilled workers/ laborers* (17%), *sales/ marketing* (11%), and *clerical/ administrative/ secretarial* (7%).

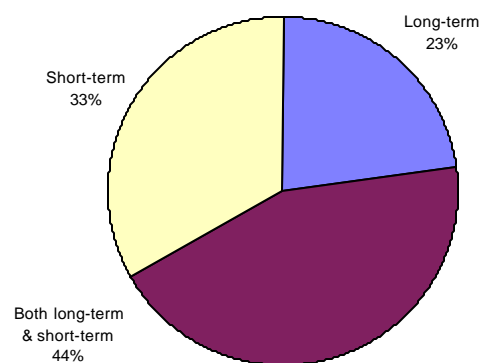
**Percentage of Firms Experiencing Worker Shortages**



**Positions for which Firms Cited Recruitment Difficulty**



**Types of Shortages Experienced Percentage of Firms Reporting**



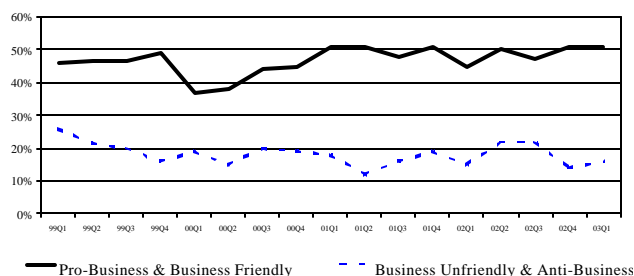
## Maryland's Business Climate Steadily Better

In the first quarter of 2003, businesses indicated a positive attitude towards the business climate in Maryland. The percentage of firms viewing the State as being business friendly held steady while the percentage of firms viewing the State as business unfriendly increased slightly, but remained below 20%. This combination is a strong signal that firms believe that Maryland is heading in the right direction. The percentage of businesses that rated the State as either pro-business or business friendly remained at 51% in the first quarter of 2003. The percentage of businesses holding a negative view of the State's business climate (rating Maryland as either anti-business or business unfriendly) increased slightly from 14% in the fourth quarter of 2002 to 16% in the first quarter of 2003.

While the positive view of the business climate held steady, there was in fact an important change in view of the business climate. The percentage of businesses that rated the State as pro-business increased from 12% in the fourth quarter of 2002 to 21% in the first quarter of 2003 and the percentage of firms rating Maryland as business friendly decreased from 39% to 30% over the same period. This is important in that while the overall view of the business climate remains positive, there is an increasingly more positive view of the business climate in the State.

In 2003, 51% of firms rate the State's business climate as positive. In Baltimore City, 49% of the firms surveyed have a positive view of the business climate and 16% have a negative view of the business climate. In the Washington Suburbs, 55% of firms have a positive view of the business climate in Maryland and 13% have a negative view of the business climate. The Washington Suburbs have the greatest positive view of the State's business climate. This region is also experiencing the greatest impact from the increased spending on defense and Homeland Security to federal labs and contractors. In the Baltimore Metro area 48% of firms have a positive view of Maryland's business climate in 2002 and 15% have a negative view of the business climate.

**Maryland's Business Climate  
1999Q1 to 2003Q1**



**Maryland's Business Climate  
By Region, 2003**

