

# Maryland Business Research Partnership

## MARYLAND BUSINESS CLIMATE SURVEY Third Quarter, 2003

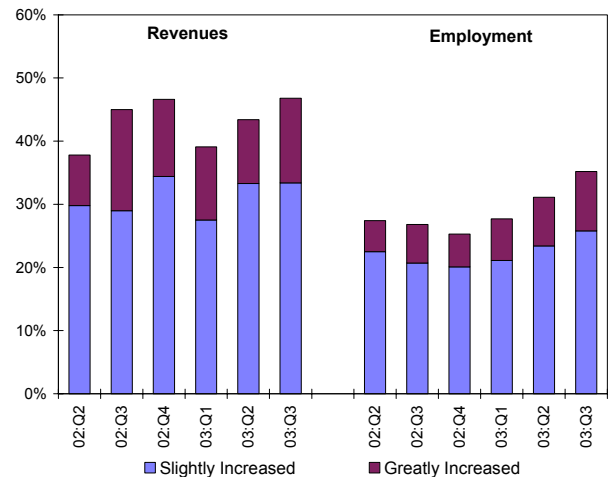
### Upward Trend Continues in Third Quarter

For the third quarter of 2003, Maryland firms reported both gains in revenue and employment growth. The percentage of firms reporting revenue growth increased from 43% in the second quarter to 47% in the third quarter of 2003. The percentage of firms reporting increases in employment during the third quarter of 2003 increased from 31% to 35%. These sustained increases are significant in that both revenue and employment gains are indicators that Maryland firms have continued to experience positive growth prior to and during the national economic recovery. Firms reporting increases in revenues have occurred over the entire year. The gains in employment growth have been continuing upward over the past four quarters. Employment gains have been increasing at a continually faster pace since the fourth quarter of 2002.

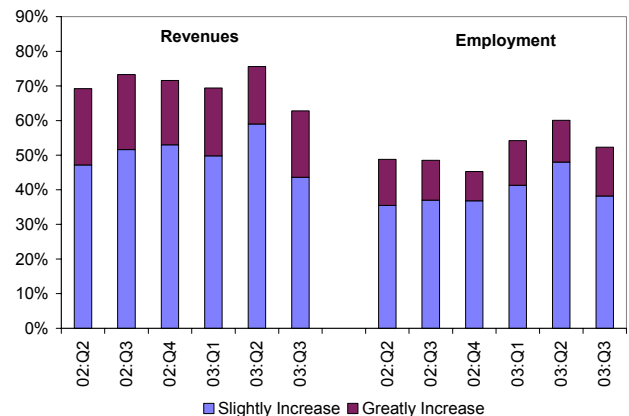
### Firms Indicate Pessimism for Coming Year

Maryland businesses have reported diminished expectations for revenue and employment growth for 2004. The percentage of firms expecting revenue growth in the coming year decreased from 76% to 63% in the third quarter, while the percentage of firms expecting employment growth in 2004 decreased from 60% to 52% in the third quarter of 2003. While the percentage of firms with expectations for great increases in employment and revenues in 2004 held nearly steady from the second to third quarters of 2003, the decline in the percentage of firms expecting slight increases in revenues and employment drove the overall number of firms expecting increases to decline.

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



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



## Labor Market Problems Not Seen as a Hindrance

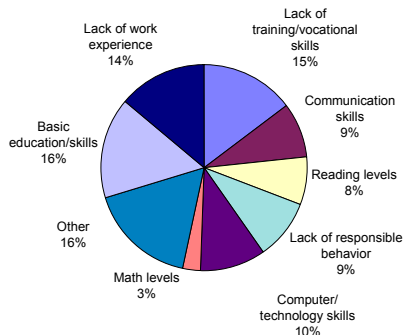
With the latest data showing the State's unemployment rate nearly two percentage points below the national average, only 25% of responding firms in 2003 stated that labor market conditions in Maryland have hindered their ability to do business. This indicates that firms are able to increase their revenues and increase their employment despite a tight labor market. Survey participants were also asked if they viewed labor market conditions as a *competitive asset* or a *competitive weakness* to the State. Thirty-nine percent (39%) of firms reported labor market conditions in Maryland as a *competitive asset* and 20% responded that the conditions are a *competitive weakness*.

## Back to the Basics for High School Graduates

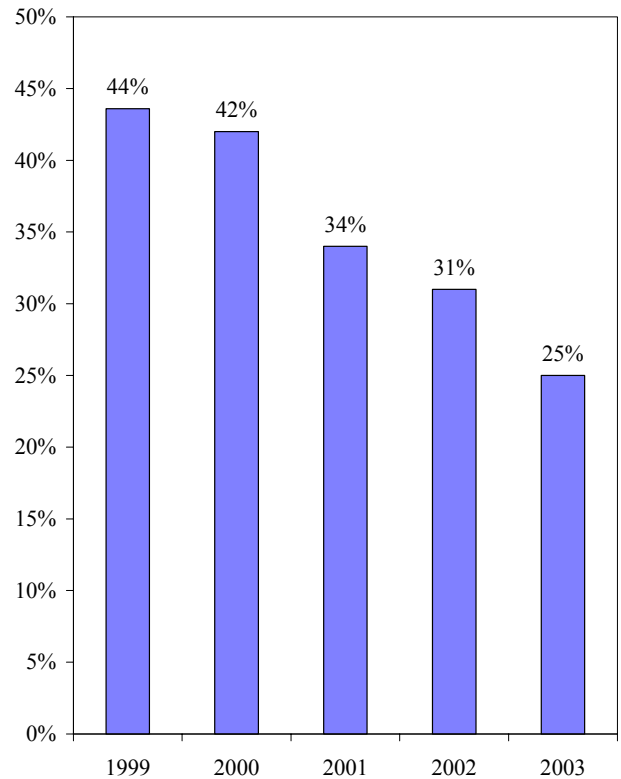
Through the third quarter of 2003, 84% of the surveyed firms hired employees who have only a high school level of education. When these businesses were asked if these employees have the necessary skills to perform their jobs, 36% of the firms responded that they do not.

The greatest problems that employers noted were a *lack of basic education* (16%), a *lack of training/vocational skills* (15%), and a *lack of work experience* (14%). While firms have noted a lack of training/vocational skills and a lack of work experience as what is missing in graduates' qualifications, they have consistently noted far less dissatisfaction with their reading, math, and communication skills.

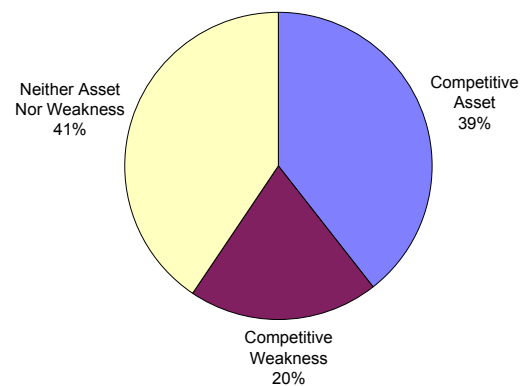
## Problems with Graduates' Qualifications



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



## Overall Labor Market Conditions In Maryland



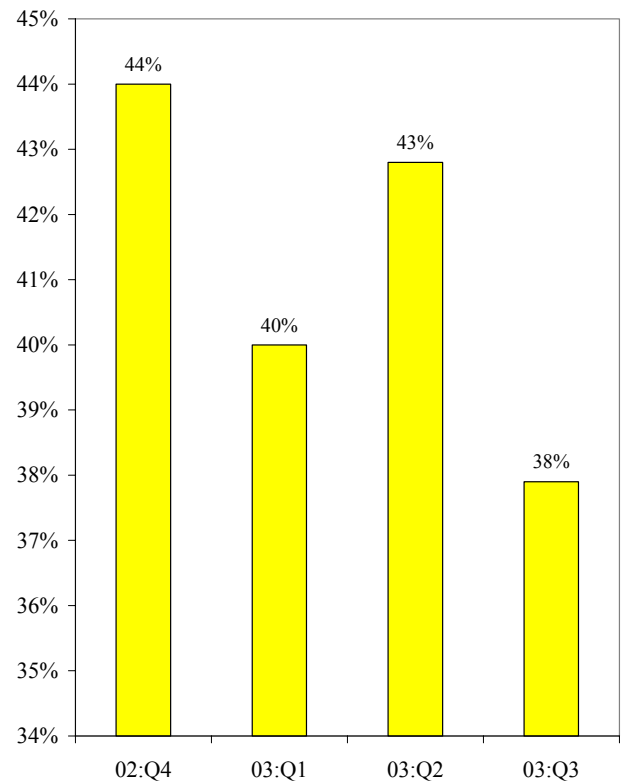
## Worker Shortages Fall

The percentage of firms reporting worker shortages decreased from the second quarter to the third quarter of 2003. The percentage of firms reporting worker shortages fell from 43% in the second quarter to 38% in the third quarter of 2003. The current percentage of firms citing worker shortages is well below the record high of 73% of firms citing shortages in the fourth quarter of 2000. With the percentage of firms experiencing gains in employment increasing over the past four quarters, firms are indicating that they are not having difficulty in filling job vacancies. With the State's current low unemployment rate and revised expectations for future employment growth, businesses may foresee some difficulty in finding the skilled and qualified workers that they will require.

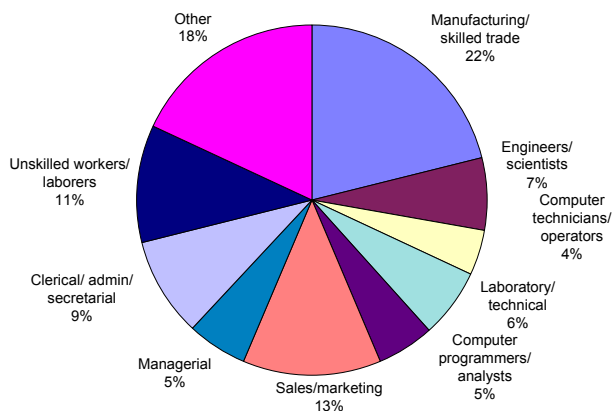
Companies currently reporting difficulties in hiring workers were asked whether these were *short-term* shortages, *long-term* shortages, or *both*. In the third quarter, 25% of firms reported *short-term* shortages, 28% reported *long-term* shortages, and 47% reported *both* short and long-term shortages.

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* (22%), *sales/ marketing* (13%), *unskilled workers/ laborers* (11%), and *clerical/ administrative/ secretarial* (9%).

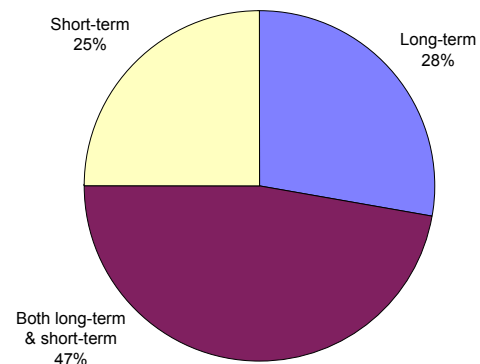
## Percentage of Firms Experiencing Worker Shortages



## Positions for which Firms Cited Recruitment Difficulty



## Types of Shortages Experienced Percentage of Firms Reporting



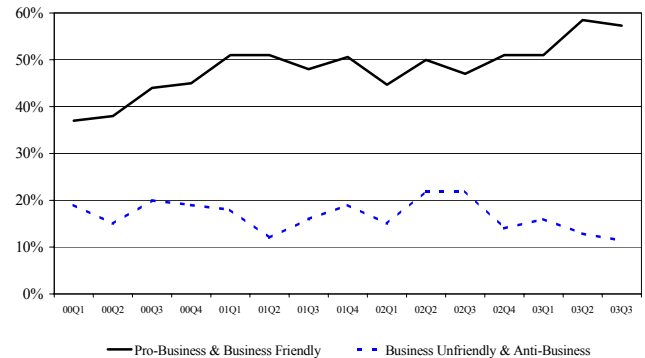
## Business Climate Shows Continued Strength

In the third quarter of 2003, businesses continued to indicate a very favorable attitude towards the business climate in Maryland. The percentage of firms viewing the State as being business friendly decreased slightly and the percentage of firms viewing the State as unfriendly to business also decreased slightly. The percentage of businesses that rated the State as either being pro-business or business friendly decreased from 59% in the second quarter to 57% in the third 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) decreased from 13% in the second quarter to 11% in the second quarter of 2003.

The combination of over half of the surveyed firms rating the State as being business friendly and a relatively small percentage of firms rating the State as being unfriendly to business is a solid indication that the view of the State's business climate has clearly changed. While Maryland was long viewed as having an anti-business attitude and being unresponsive to the needs of business, there has been a shift in views with firms currently feeling that their needs are being recognized and that they are being addressed.

In 2003, 55% of firms rate the State's business climate as positive. In Baltimore City, 54% of the firms surveyed have a positive view of the business climate and 12% have a negative view of the business climate. Baltimore City is eagerly anticipating the development of two major research biotechnology parks. In the Washington Suburbs, 64% of firms have a positive view of the business climate in Maryland and 9% have a negative view of the business climate. This region is and continues to experience the greatest impact from the increased spending on defense and Homeland Security to federal labs and contractors. In the Baltimore Metro area 52% of firms have a positive view of Maryland's business climate in 2003 and 14% have a negative view of the business climate.

**Maryland's Business Climate  
2000Q1 to 2003Q3**



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

