



Benchmarking Maryland's Business
Climate and Socio Economic
Performance
2001

Conducted by:

The Maryland Business Research Partnership
The Jacob France Center
University of Baltimore

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EXECUTIVE SUMMARY

Maryland's economy has continued to outpace the national economy continuing Maryland's strong growth and expansion. Key economic indicators show signs of increased and continual business activity. Among these are:

- Maryland was ranked 21st nationally in total employment growth over the 1995-2000 period, up from 44th over the 1990-1995 period.
- Maryland was ranked 15th nationally in total employment growth over the 1999-2000 period.
- Maryland was ranked 17th nationally in new business starts per 1,000 workers in 1999.
- Maryland was ranked 3rd nationally in the number of SBIR awards per capita and 6th nationally in total research and development performed per capita.
- Maryland was ranked 6th nationally in the amount of venture capital managed by firms within the State and 10th nationally in the amount of venture capital invested within the State.

This report takes a detailed look at Maryland's business climate, or the factors that influence business and economic growth, and compares Maryland to all fifty states and the District of Columbia in over 145 economic and social indicators. This report addresses the fundamental issue of Maryland's economic competitiveness in numerous factors important to businesses.

This report found that Maryland offers significant strengths in many of the factors considered important by businesses. Among Maryland's chief economic development assets are:

- Maryland offers businesses one of the most highly developed transportation and telecommunications infrastructures in the nation. Maryland is ranked in the top ten states nationally in terms of both interstate (6th) and freeway miles (6th) per square mile. In the area of telecommunications infrastructure, Maryland has the 11th highest percentage of fiber optic cable relative to copper cable and the 3rd highest level of ISDN control channels per switched access line in the nation.
- Maryland is one of the top states in the area of technology assets. Maryland ranks in the top ten states for total R&D per capita (6th), federally performed R&D per capita (2nd), and university R&D per capita (2nd).
- Maryland continues to offer one of the best-educated and productive workforces in the country. Maryland has the 3rd highest level of persons with a bachelor's degree or above and is ranked 3rd nationally in the number of Ph.D. scientists and engineers in the workforce. Maryland is ranked 16th nationally and best in the region in terms of value-added per worker.

However, this report also found that Maryland must overcome barriers to economic development. Maryland's economic development weaknesses include:

- Real estate costs in Maryland are roughly equal to or greater than those in competing states.
- Labor costs in Maryland exceed those in key competing states. Maryland's average hourly manufacturing wages are approximately 5% above the national average, and the State has the 11th highest average hourly manufacturing wages. Average annual pay scales and the

average annual pay in the manufacturing sector and the service sector are all slightly above the national average and Maryland's regional competitors.

- Maryland is generally perceived as a pro-union state. Maryland is not a right-to-work state, while its key competitors, Virginia and North Carolina, and most of the states in the rapidly growing Southeast are. Both the overall percentage of Maryland workers and the percentage of manufacturing workers who are members of a union in Maryland are above the national average. Maryland is ranked 30th and 37th respectively in these two measures.
- Maryland's per capita tax burden is above its regional competitors and the nation. Maryland ranks 39th nationally in total State and Local taxes per capita and last regionally. Maryland's personal income taxes as a percentage of personal income and per capita are among the highest in the nation.
- Maryland is less competitive in some quality of life measures – most importantly crime (41st nationally in total crimes) – that affect its attractiveness to businesses.

The Maryland Business Research Partnership finds that Maryland is well positioned for the high technology industries of tomorrow. Maryland is highly competitive, both nationally and regionally, in many of the factors most important for the development and growth of high technology businesses. These factors include a highly educated and productive workforce, substantial research and development resources, a strong venture capital community, and a high quality telecommunications and road infrastructure. Some business cost elements, most importantly real estate and labor costs, are high relative to the competition. However, these costs cover the substantial locational and workforce advantages in the State. Maryland is less competitive in business climate variables important for key cost-driven industries, such as manufacturing, where tax, unionization, and wage cost variables drive locational decisions. While Maryland's core competitive strengths for high technology businesses bode well for the State's economic future, the State needs to address business cost issues in order to promote more balanced development. Maryland should continue to build on its core locational, workforce, and infrastructure advantages in promoting economic development.

To order a copy of Benchmarking

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