

# Massachusetts at a Crossroads: Renewing the Competitiveness of Boston and the State

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Information from the Boston Consulting Group, the Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director. Additional material collected by Alexander Muggah, Research Associate.

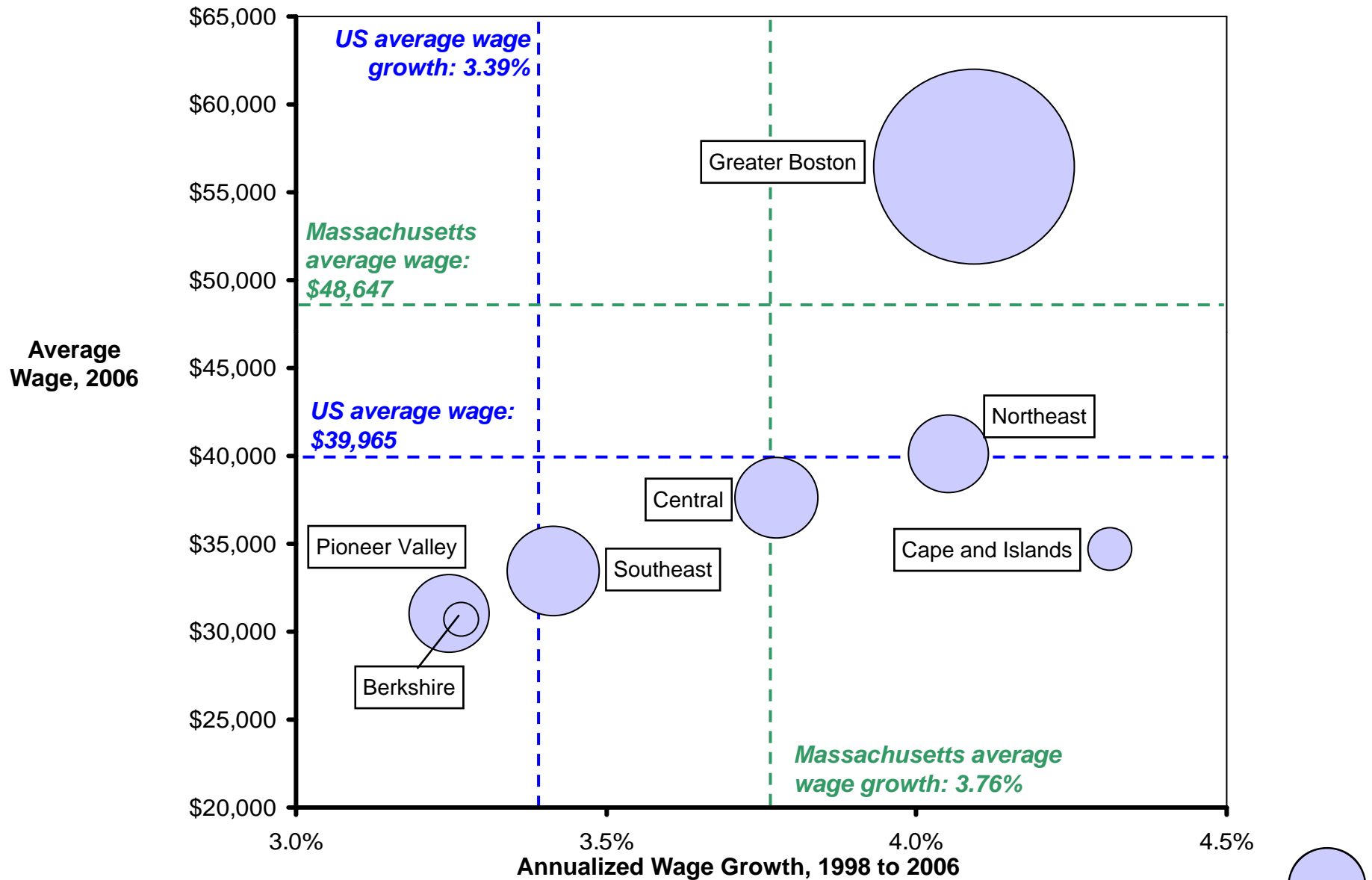
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# Massachusetts Economic Performance

	Massachusetts	U.S.	Mass. Rank	Mass. Growth (%)	U.S. Growth (%)	Mass. Growth Rank (1=best)
<b>Gross state product per capita (2007)</b> growth rate (1998 to 2007)	\$473,511	\$380,201	5	2.40%	1.70%	9
<b>Income per capita</b> growth rate (2002 to 2007)	\$49,142	\$40,614	1	3.30%	2.80%	6
<b>Patents per 10000 employees (2007)</b> growth rate (1998 to 2007)	10.78	5.46	3	0.15%	-1.09%	11
<b>Workforce participation (2007)</b> growth rate (2002 to 2007)	51%	45%	7	0.20%	0.30%	36
<b>Total employment (Dec. 2008)</b> growth rate (2002 to 2008)	3.24 million	135.6 million	13	0.10%	0.90%	47
<b>Unemployment (Dec. 2008)</b> growth rate (Dec. 2007 to Dec. 2008)	6.9%	7.2%	24	2.60%	2.30%	34
<b>Population (Dec. 2008)</b> growth rate (2002 to 2007)	6.45 million	302 million	14	0.10%	0.90%	48

Source: Massachusetts Competitiveness document (GSP, patents), Bureau of Economic Analysis (population), Bureau of Labor Statistics occupation database (Income, employment, unemployment), Bureau of Census (Workforce participation)

# Comparative Wage Performance of Massachusetts Regions

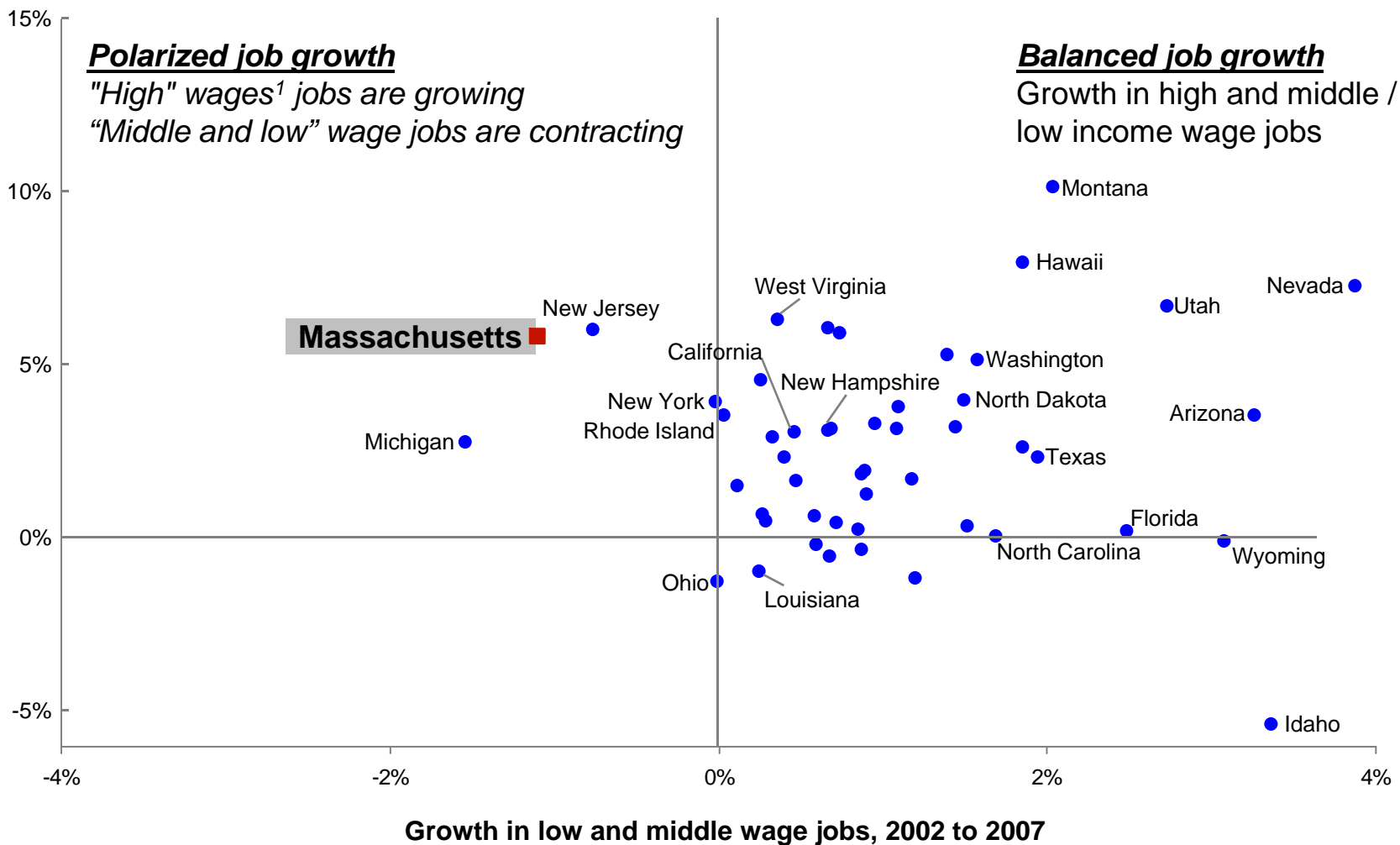


Note: Covers private, non-agricultural employment. Note: Growth is calculated using compound annual growth rates (CAGR)  
 Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School

# Job Growth by Wage Category

## U.S. States

Growth in high-wage jobs, 2002 to 2007





1: High wages defined as >60K wages, Low and middle wages defined as 0-60K wages

Note: Using average employment values over entire year, adjusted for inflation using BLS CPI data, adjusted for missing wages data (~10% in 2002, ~3% in 2007) by allocating according to weighted distribution of wages at the time. Growth is calculated using compound annual growth rates (CAGR)

Source: Boston Consulting Group analysis based on Bureau of Labor Statistics occupational employment and wages database

# Cost of Doing Business: Massachusetts Versus Other States

			Massachusetts Rank in U.S.
Labor	Wage Rate		49/50
	Required Benefits		46/50
	Unemployment Insurance		45/50
	Workers Compensation		5/50
Energy	Utility Costs	(office)	49/50
		(industrial)	49/50
Occupancy	Rent Costs	(office)	48/49
		(industrial)	31/46
	Property Tax	(office)	37/50
		(industrial)	26/50
Taxes	Sales Tax		9/50
	Capital Stock Tax		45/50
	Corporate Income Tax		47/50

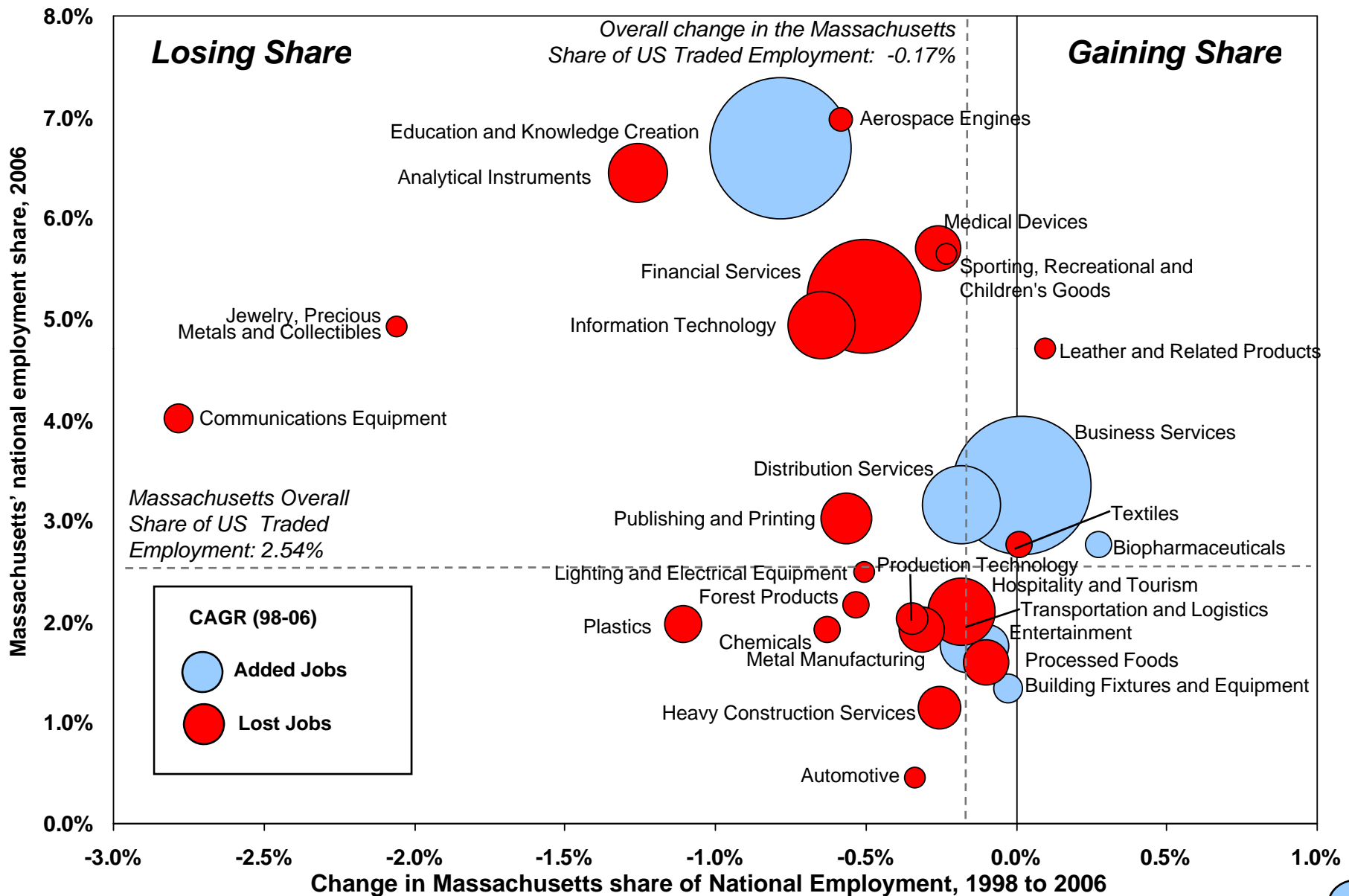
Top quartile   
 Bottom quartile 

(1) Avg. annual wage/FTE; (2) Avg. HC premium/emp.; (3) Avg. UI fee/emp.; (4) Tax rate (fee as % of wages); (5) Cost psf; (6) Rent psf; (7) Tax rate; (8) Sales tax rate (%); (9) Tax rate (% of net worth); (10) Tax rate (% of earnings)

Source: Bureau of Labor Statistics, MEPS, Tax Foundation, Oregon Dept. of Consumer and Business, EIA, Cushman & Wakefield, Pioneer Institute, MN Taxpayers Assoc., IRS, BCG analysis

# Composition of the Massachusetts Economy

## Specialization by Traded Cluster, 1998 to 2006



Note: Includes cluster with Massachusetts employment of 4,500 or higher

Source: Prof. Michael E. Porter, Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director.

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Employees 35,000 = 

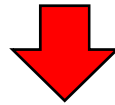
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# Implications for Boston and the State

- Nurture **existing and potential strengths**
  - Knowledge intensive clusters (e.g., life sciences)
  - Education and knowledge creation cluster (e.g., Harvard, MIT)

BUT

- High-end jobs will **not be enough**



- Address the high costs and delays in **doing business**
  - Multiple regulatory burdens
  - High corporate tax rate
- Reduce high **housing and occupancy costs**
- Improve the cost effectiveness of **public services**
- Transform the **business–government relationship**
  - **Retention** is our first priority
- Mount a state-wide strategy to **retain and capture** middle-income jobs, including outside of I-495