



NJ RANKS LAST AMONG STATES FOR COST OF DOING BUSINESS, BUT OTHER SIGNS ARE POSITIVE

JOHN REITMEYER | JULY 11, 2018

Low mark for Garden State is cause for concern. On the bright side: high marks in education, diversity, access to capital



Fresh off an increase in its corporate-tax rate, New Jersey's standing has slipped a few notches in a new ranking of the economic climates of the 50 states.

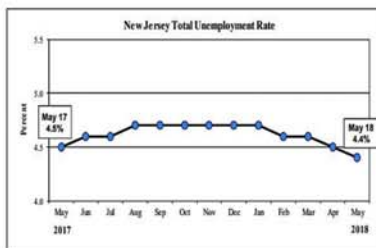
New Jersey now lands in **36th place** overall in the state-by-state scorecard compiled each year by business-news network CNBC, sliding back from 32nd last year.

While the state received high marks in the categories of education and access to capital, it's now dead last in the "cost of doing business" category, which factors in the corporate-tax environment. A high cost of living also earned the state an "F" grade in that category, one of 10 that are factored into CNBC's rankings.

Business experts say New Jersey's poor showing is a cause for concern, citing an ongoing, high-stakes competition among states to land and keep top employers. But other data suggest such rankings may not tell the whole story about a state's economy, and where it may be heading.

For example, New Jersey just **poached a major pharmaceutical company** from the higher CNBC-ranked state of Pennsylvania, even with the recently enacted top-end corporate-tax rate of 11.5 percent that lawmakers and Gov. Phil Murphy were **discussing openly** in the run up to the adoption of a new state budget earlier this month. New Jersey residents also still earn **some of the highest wages in the country**, and the results of the latest evaluation of diversity in New Jersey workplaces shows a state with an increasingly diverse population, and one that workers say is leading to improved results.

Unemployment higher in NJ

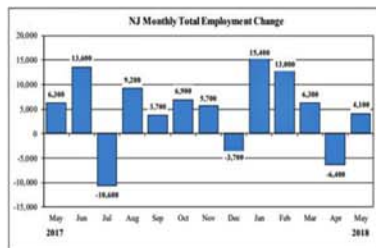


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While the unemployment rate remains slightly higher in New Jersey compared to the country as a whole – 4.4 percent versus 3.8 percent as of May – the overall trend over the last year has been steady. The state's jobless rate was at 4.5 percent in May 2017, and more than 57,000 jobs were created over the last 12 months, according to figures released by the state Department of Labor and Workforce Development. **Weekly salaries** are also higher on average in New Jersey compared to the nation as a whole, according to the latest data from the U.S. Bureau of

Labor Statistics.

But the state's leading business groups have warned that New Jersey's economy could soon take hit from a bill that was enacted along with the fiscal year 2019 budget earlier this month. In addition to establishing a new top-end corporate-tax rate for businesses with over \$1 million in



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profits – moving the rate from 9 percent to 11.5 percent – the legislation also establishes what are known as “combined reporting” tax regulations. Those new rules are intended to prevent large, multistate companies from shortchanging their New Jersey taxes by shifting profits to other states that have less aggressive tax schemes. But business lobbyists have argued the issue is more complex, and that for many companies the tax change will increase the cost of doing business here, which could hold back any new investment and hiring.

Even before the new tax legislation was adopted, **New Jersey had already placed last** among states in the latest rankings of business-tax climate released by the Washington, D.C.-based Tax Foundation. But the CNBC scorecard is a more-rounded evaluation that looks at other issues in addition to tax policy. The other categories include education, where New Jersey received an “A-” grade; workforce, where the state earned a “B;” and infrastructure, where the state's grade was a “D+.”

“The corporate-tax hike is really out of step with what successful states are doing to attract industry today,” said John Boyd, a principal at Princeton-based The Boyd Company, a leading corporate-site consultant.

Corporate leaders keep a close eye

While some groups may brush off such rankings as too narrow-minded, Boyd suggested the CNBC scorecard is closely watched by corporate leaders and could contribute to a state’s reputation as a place where it’s difficult to run a profitable business. He also predicted governors of other states would attempt to seize on New Jersey’s shortcomings, much like the overture to businesses that **Gov. Greg Abbott of Texas** floated earlier this year; Texas placed first in the CNBC rankings.

“These lists do matter,” Boyd said.

Still, some corporate leaders look at more than just taxes and the cost of living in a state, and one bright spot for New Jersey is its standing as one of the most diverse states in the country. That can be a strong draw for companies that compete globally, including in the industries of banking and finance, and information technology, Boyd said.

In fact, the latest statewide **diversity survey**, commissioned by Lawrenceville-based Taft Communications and the New Jersey Business & Industry Association, found 88 percent of those polled said they interact daily at work with someone from a different race or ethnicity. That’s up from 86 percent last year, and 83 percent in 2016.

Diversity in workplace good for business

Such interactions are also on the rise outside of the workplace, as 71 percent of those surveyed said they interact daily with someone of a different race or ethnicity, compared to 64 percent last year, and 59 percent in 2016. Nearly 60 percent of those surveyed said the diversity in their workplace has generated better or improved results for the company they work for.

“The continued increases in workplace tolerance and diverse interactions outside of the workplace are certainly promising trends for the state of diversity in New Jersey,” said Ted Deutsch, the president of Taft Communications.

Even as his signature was still drying last week on the tax legislation that the business community opposed, **Murphy bragged** in an interview with Bloomberg that a major employer would soon be adding upward of 800 jobs in New Jersey. A few days later, Teva Pharmaceuticals announced the relocation of its U.S. headquarters from Pennsylvania – which placed 22nd on the CNBC scorecard – to an existing facility the company is planning to expand in Parsippany-Troy Hills in Morris County. The move will bring 843 new jobs to New Jersey, retain another 232, and generate an estimated median annual wage of \$128,000 for the 1,000 positions.

Brendan O’Grady, Teva’s executive vice president and head of North America commercial, cited

factors like location and the state's status as a center for the pharmaceutical industry in announcing the move, which also saw his company take advantage of a state economic-development tax incentive.

"We're pleased to expand our presence in New Jersey, having closer proximity to a vibrant business hub and a dynamic life-sciences environment – all while increasing jobs and preserving many existing roles," O'Grady said.

Graphics: New Jersey Dept. of Labor and Workforce Development, Division of Economic and Demographic Research



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