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Heeding the Warning Signs: What Massachusetts Must Do to Remain Competitive

New report on the state's high cost structure suggests tough decisions lay ahead for policymakers

BOSTON, MA / August 12, 2022 – A new report out today from the Massachusetts Taxpayers Foundation (MTF) presents clear and comprehensive data to show that Massachusetts is in jeopardy of losing its economic edge due to its incredibly high “cost structure” and big shifts in how and where people work coming out of a global pandemic. The report lays out many “warning signs,” including the high cost of living and doing business in this state, as well as a work paradigm that enables people and employers to relocate out of state. [[CLICK HERE TO READ REPORT](#)]

“Massachusetts is facing a perfect storm of circumstances which, if not addressed by policymakers, threaten to undermine the state’s historic advantage in attracting and retaining both businesses and talent, and could ultimately jeopardize our economic edge over other states,” said **Eileen McAnney, President of MTF**.

“Massachusetts lawmakers, with input from the business community, simply have to come up with a new blueprint for managing business and living costs to expand the state’s skilled workforce, grow the economy and position the state for future success – not slide backwards, which is where we’re headed,” said **Jay Ash, former Secretary of the Executive Office of Housing & Economic Development and President of the MA Competitive Partnership**.

Businesses have long faced financial headwinds in Massachusetts which is among the most expensive states in the country to do business, with higher-than-average health and unemployment insurance costs and soaring commercial and industrial electricity rates. Add to this record high resignations and a growing number of quits continuing in 2022, companies can expect to be plagued by labor shortages and their associated costs.

“Massachusetts has some of the finest academic research and teaching hospitals in the world. We need to ensure we are doing all we can as a state to attract and retain a health care workforce that can afford to work and live in Massachusetts” said **Anne Klibanski, President and CEO of Mass General Brigham**.

The cost of living in Massachusetts, among the highest in the U.S., makes it more difficult to attract talent. As the report points out, Massachusetts also ranks highest among all states in child care costs, second highest in housing costs and fourth highest in congestion.

“The innovation economy depends upon a pipeline of talent coming out of our many colleges and universities, and yet, new graduates who want to stay in Massachusetts experience sticker shock at the exorbitant cost of housing here,” said **Corey Thomas, CEO of Rapid7**. “While living far from our urban core may be more affordable, it loses its appeal when you factor in the return of traffic congestion on our



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roads. It's easy to see why talented potential employees are looking elsewhere, and we need to solve for this or the 'brain drain' will surely continue.”

People are leaving Massachusetts, with no signs of slowing down. Massachusetts has experienced net outmigration of 750,000 people over the past three decades, reflecting a trend made even more stark by the pandemic. Regions like Greater Boston that have high living costs with a concentration of white-collar jobs that can be performed remotely, such as financial services and tech sector jobs, are experiencing the largest outmigration.

The effects of COVID on the workplace, together with the already-high cost of living and doing business in the state, makes it extremely challenging to recruit and maintain the skilled workforce that is essential to growth. As a result, the long-held belief that Massachusetts' talent base would always anchor our economy is breaking down, and the concentration of high-skilled jobs that tethered our highly educated workforce to Massachusetts has begun to fray.

“We need policies to promote competitiveness, not do harm to it,” said **Jeff Leiden, Executive Chairman of Vertex Pharmaceuticals**. “Massachusetts is at a crossroads in a new economy that is producing challenges that threaten our longstanding history of being at the center of innovation and growth. Addressing the high costs of doing business here and giving companies reasons to not look elsewhere to source talent should be of paramount concern to all who rely upon a strong state economy.”

This report includes specific recommendations to contain excessive costs, specifically around housing, child care availability, unemployment insurance, electricity, the estate tax, and the Fair Share Amendment, and to expand the size and skills of the workforce, such as rethinking job qualifications, coordinating training programs, attracting talent and incentivizing labor force participation.

The ideas set forth here should spur additional discussion for policymakers, particularly heading into a new year, a new legislative session, and a new gubernatorial Administration. Following the release of the report, MTF will work with member companies on developing additional ideas for consideration by statewide candidates on the ballot in November.

About MTF

Founded in 1932, the [Massachusetts Taxpayers Foundation \(MTF\)](http://www.masstaxpayers.com) is widely recognized as the state's premier public policy organization dealing with state and local fiscal, tax and economic policies. MTF's record of high quality research and non-partisan analysis has earned the organization broad credibility on Beacon Hill and across the Commonwealth. MTF's mission is to provide accurate, unbiased research with balanced, thoughtful recommendations that strengthen the state's finances and economy in order to foster the long-term well-being of the Commonwealth. MTF's unique credibility has impacted policymaking on a wide range of issues - from health care, business costs and transportation funding to tax competitiveness, capital investments and state and local finances, as well as the economic consequences of racial inequities. One of the hallmarks of MTF has been a commitment to meticulous, high quality research and clearly explained, non-partisan analysis.

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