

# Just The Facts Issue Brief

# ECONOMIC COMPETITIVENESS

## Why is this issue important?

Countries and states are competing for employers, jobs and people in a world in which technology has made all of them more mobile than ever before. Success in this competition is the key to prosperity.

## Current Status

**Taxes and investments are important.**

- Even before the pandemic, the migration rate for large U.S. firms nearly doubled between the mid-1990s and early 2010s

But COVID and the rise of remote work have accelerated the pace of economic change and cemented attracting and retaining talent as the preeminent issue.

- Before the pandemic, [3.6% of workers](#) telecommuted at least half the time
- Post-pandemic, Harvard Business School estimates that number will be [16%](#), and an [Upwork survey](#) pegs it at 22%.

A world in which many workers can live anywhere increases the importance of quality-of-life issues.

- Cost of living (including taxes and state and local budgets)
- Quality of public schools and higher education
- Physical and digital infrastructure (i.e. access to broadband)

Another critical issue is **international competition for digital technology leadership**. A 2021 [Harvard Kennedy School report](#) found that China is now a full-spectrum peer in what are likely to be the foundational technologies of the 21<sup>st</sup> century, such as artificial intelligence, 5G wireless and semiconductors.

China's massive population also gives it the edge in the all-important competition for talent. One tool national governments have in the battle for talent is immigration.

- **Immigration is an important technology talent issue:** The U.S. has a family-based immigration system, while most other industrialized nations have a skills-based system

## Status in Connecticut

Connecticut has distinct strengths, but also faces daunting economic competitiveness challenges. Its biggest **strengths** flow from an educated workforce:

- Connecticut's public schools ranked [third among the states](#) in 2020
- It features 38 colleges and universities
- It had the [fourth most innovative state economy](#) in 2020
- Ranked third for [employees with advanced degrees](#)

## Connecticut's biggest weaknesses are:

**Taxes and cost of government**

- Worst among the states in per capita net loss of adjusted gross income due to [out-migration of high-income taxpayers](#), 2012–2018
- [49th in private sector wage and job growth](#) between 2008 and 2020
- The state faces a [labor crisis](#): It had 109,000 job openings in February 2022, but since the pandemic began, the number of people either working or looking for a job has declined by more than 71,000
- Ranked [second highest](#) in state and local tax burden per capita
- Large pension liability caused spending on debt service and public employee benefits to grow by [174 percent above the rate of inflation](#) from 1991 to 2016

## Need to adopt a strategy to win the competition for talent and technology

- Under-investment in university research
- Failure to develop large-scale technology partnerships between universities and business
- An I-91 Knowledge Corridor running from Yale University north to UConn and UMass Amherst was once envisioned, but CT has not made the kind of investments Massachusetts has to boost UMass' research ranking and support extensive collaborations between business and universities.

## Important questions citizens and policy makers at all levels should ask

- Do we have a strategy to invest in our own people by significantly improving public schools and colleges?
- Do we have a strategy to recruit top talent, both American and foreign?
- What is our strategy to win jobs by focusing on our technology and innovation strengths and establishing innovation partnerships between our universities and industries in those areas?
- Are we spending our federal COVID relief money in a way that aligns with that strategy?
- How can we take advantage of economic engines in neighboring states, such as financial services in New York and life sciences and wind energy development in Massachusetts?

## Economic Competitiveness Resources

- [Connecticut Center for Economic Analysis](#)
- [Connecticut Business & Industry Association](#)
- [Brookings Metro](#)
- [Richard Florida, Creative](#)

Connecticut Compact is an initiative of American Compact, Inc., a nonprofit 501(c)3 seeking to build consensus on our most pressing challenges and opportunities in selected states, starting with Connecticut.