

# Connecticut Economic Competitiveness Diagnostic

## April 8, 2016

### Executive Summary

Connecticut's strong economic performance has continuously placed the state among the highest in the nation, even outperforming the U.S. economy as measured by Gross Domestic Product (GDP) from 1980 – 2007. According to the most recent data, Connecticut ranked 4<sup>th</sup> by GDP per capita, 3<sup>rd</sup> by productivity and 4<sup>th</sup> by median household income.

However, recent trends have created a new economic normal.

Connecticut's GDP has not yet recovered from the recession and newly released employment data indicates we have not returned to pre-recession employment levels. In addition, Connecticut's economy is not growing at the rate of its peers or the nation as a whole.

Connecticut's economic competitiveness is challenged by the four key factors:

- 1) Global and national forces are impacting Connecticut's traditional core business sectors. Technology is changing the way we work and live.
- 2) Peer states are closing the gap on Connecticut's livability and cost advantages. Significant advantages exist, but are eroding.
- 3) Population trends are reshaping Connecticut's workforce. The lack of population growth has serious implications for the ability of our labor force to meet future employment needs. The emergence of cities as the center of creativity and innovation challenges Connecticut's suburban orientation.
- 4) Perceptions are hardening on state governance and fiscal uncertainty.

While these trends raise concerns, Connecticut has a portfolio of distinct assets to address these trends and ensure long term competitiveness. Those assets include:

#### Talented Population

- 38% of those 25 years and older have at least a bachelor's degree vs. 30% nationwide
- 3<sup>rd</sup> highest productivity in the U.S.

#### Strong Education System

- 6<sup>th</sup> best K-12 educational system in the nation. However, on a district level, many urban school districts are underperforming.
- 7<sup>th</sup> highest AP participation rate in the U.S.
- 50%+ of college students in Connecticut attend public universities

### **Blue-Chip Companies and Growth Sectors**

- 7<sup>th</sup> in the U.S. in number of S&P 500 Headquarters
- 3.3% of all Fortune 1000 companies by revenue are in Connecticut vs. 2% in Massachusetts and 2.9% in New Jersey
- Growing sub-sectors of strength, e.g. aerospace, ship building, medical and electrical equipment

### **Strong Research Output**

- 8<sup>th</sup> in the U.S. on R&D as a share of GDP
- Academic research surged 38% from 2009 to 2013, advancing Connecticut from 32<sup>nd</sup> to 12<sup>th</sup> in the U.S. on academic R&D spend

### **High Quality of Life**

- 3<sup>rd</sup> in quality of life of any U.S. state (Forbes)
- 3<sup>rd</sup> highest life expectancy in the U.S. at 81 years
- 2<sup>nd</sup> lowest violent crime rates among peers, 9<sup>th</sup> nation-wide

### **Strategic Location**

- 40% lower cost per sq. ft. of housing in Stamford vs. NYC
- 7<sup>th</sup> busiest interstate system in U.S.
- 40 million rides per year on the New Haven Line and 11.5 million Amtrak rides per year

Five themes have emerged as potential areas for the Commission to consider exploring in further detail:

**Cities:** How should Connecticut revitalize its urban cores? Social equity is a major challenge to Connecticut's long term economic competitiveness.

**Growth Sectors:** How can Connecticut support its high potential, fast- changing sectors?

**Connectivity, Transportation and Broadband Performance:** What investments will best connect talent and businesses?

**Fiscal Outlook:** How can Connecticut address its operating budget as well as long term pension challenges to restore citizen and business confidence?

**Public- Private Engagement:** How can the State and the private sector collaborate in order to jointly support long-term growth?

### **Commission on Economic Competitiveness web page:**

[https://www.cga.ct.gov/FIN/taskforce.asp?TF=20150904\\_Commission%20on%20Economic%20Competitiveness](https://www.cga.ct.gov/FIN/taskforce.asp?TF=20150904_Commission%20on%20Economic%20Competitiveness)