



Shaping a More Competitive Delaware for Post-Pandemic New Normal

BY TED ABERNATHY

»» Very few businesses entered 2020 with scenario plans that included a contingency for an unprecedented global pandemic and a deep, medically induced, global recession. This is not a year soon forgotten. Our economic and health recovery continues to be slow and challenging, but at some point, we will all be facing another new normal.

Everyone's crystal ball is a bit hazy, but the 2021 reset is likely to include some of these emerging trends.

Remote Rules! More people will work remotely, shop remotely, get their health, entertainment, and banking services remotely. We have all endured six months of mandatory reprogramming of our personal and professional norms. It is a safe bet that many of these shifts will become

permanent. Most communities' commercial real estate needs will change, our home design requirements will change, and we will be even more dependent on continuous internet connectivity.

Relocations could be more common.

The trend of some Americans moving from high-priced urban centers to more affordable metros has been accelerating over the past decade. Mid-sized city centers prospered following the Great Recession with reimagined suburbia growing over the past five years. News reports this summer have chronicled more movement, pandemic-induced, from density to less dense living options. Nobody knows where the new hot spots will be, but they will likely be affordable, have high-speed broadband, and include access to amenities and housing choices.

Reshoring accelerates. COVID-19 has shone a bright light on the advantages of having some industries and their supply chains within our borders. Over the next few years, we should see growth in bi-pharmaceutical, medical devices, defense components, and food processing. Efficiency will still be important, but redundancy will be a new corporate watchword.

Expect more state competition, data analytics and scenario planning.

Pre-pandemic many states, including Delaware, were experiencing economic transformations. Changes in demographics, technology, and consumer behavior continuously disrupt the status quo and confound both business and state economic planning. Businesses' new investment decisions are now mostly driven by sophisticated data analytics that easily allow comparisons between "place" options.

Three categories usually top the list for consideration.

- Business climate, including taxes, regulatory practices, and legal environment.
- Workforce availability and cost, with the skills in demand, and the ability to attract new residents.
- Infrastructure including roads, rail, ports, broadband, air service, affordable and reliable power, and water and sewer.

In a time of mass disruption, the pandemic has acted as an accelerant. Trends we expected are impacting us sooner, with a few unexpected tangents thrown in to upend the best plans. States recognize that they are in competition for new investments and have begun to develop new ideas for the next new normal.

The first step is understanding your competitive strengths and weaknesses. Delaware has many positive competitive factors, and each is important to maintain and cultivate. But there are also worrisome headwinds. The state's GDP (Gross Domestic Product) growth has been among the slowest over the past five years. GDP per capita remains above the national average but the advantage has dwindled. Delaware has prospered from one of the nation's most productive workforces, but over the past few years real productivity has declined. These results are probably due to shifts in industry and occupational concentrations and can be improved, but improvement will require specific actions.

Step two is to scenario plan for the businesses and jobs of the future. Over the past few years, the state has lost jobs in advanced industries. Parts of the technology sector have also experienced job losses. The population is aging, and new ideas and efforts are needed to take advantage of the new opportunities.

Mike Tyson is often quoted, "Everyone has a plan until they get punched in the mouth." 2020 certainly feels like a punch. We entered the year concerned about accelerating technology change, global trade uneasiness, and labor shortages due to full employment. Then we added a pandemic, a recession, and a national election. Another ex-boxer, Ed Latimore, is credited with the quote "The future is coming, whether you're ready or not. The past is gone, whether you're over it or not."

It is time to look ahead. Delaware has a strong foundation on which to build. In last year's Area Development site selection consultants survey, the top factors for new investment decisions included access to highways, availability of labor, and quality of life. Delaware has good infrastructure, a productive workforce supported by strong educational institutions, and a high quality of life with strong healthcare institutions and reasonable housing costs.

Serendipity is rarely a successful model for future success. Now is the time for the state's business leaders to reimagine Delaware's economic future and to be intentional about the actions needed to be more competitive.



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