



A New Economic Era

Delaware's playbook to competitiveness **BY TED ABERNATHY**

JUST OVER FOUR YEARS AGO, we began talking and writing about how important it was for Delaware to prepare for the post-pandemic economy. The hope was that the state could become a top location for job creation, economic vitality, and quality of life. Crystal balls were hazy in 2020, but predictions of technological transformation, remote work, changing factors impacting worker mobility, and accelerated competition between states all proved correct. Now, as the American economy has renormalized, new trends have emerged, making it essential for Delaware's leaders to understand the state's competitive position, do all they can to anticipate the future, and take concrete actions.

First, what has not changed? Ongoing demographic realities have been discussed for years. Nationally, the population will continue to age, become more diverse, and experience smaller family size. The birth rate has shrunk by half over the past two generations, leading to a steady decline in domestic labor force growth. To sustain population and labor force growth, Delaware will need to employ multiple strategies: retaining more local high school and college graduates, attracting domestic migrants, increasing labor force participation among current residents, and welcoming more legal foreign-born workers.

The quantity and skills of the labor force will continue to be primary factors in shaping Delaware's future. People prioritize a place that offers housing options, good education, affordable and quality health care, and

a safe environment. They also value places where recreational and cultural options enhance the quality of life.

Having a growing workforce with the right skills is just one of many critical challenges.

Staying competitive requires a strategic approach. Strategy development begins with a clear understanding of Delaware's current economic landscape and those emerging trends that will impact businesses and residents in the future.

How competitive is Delaware? What can the state's private and public leaders do to better prepare it for the future? Many publications rank state competitiveness, and those rankings present a mixed message, depending on the factors they consider and how those are weighed. CNBC's overall ranking for Delaware is 34th, while Chief Executive ranks Delaware 15th. The Tax Foundation rates the overall tax competitiveness 18th, but the corporate tax rate 50th. For innovation and technology, the state ranks 35th. Rich States-Poor States Economic Outlook places Delaware 33rd.

Delaware often ranks towards the middle and rarely among the most competitive states.

Economic performance data provides a consistent method for comparison. Jobs in Delaware have grown 2.6% over the past four years—above the national average but well behind leading states. Population growth has been strong—above the U.S. average and trailing only New

Delaware: First or Last

Jersey among neighboring states. Delaware has also been a national leader in new business formations.

The state has a solid economic foundation to meet the challenges of the next decade. Five trends have emerged that will impact all states and create opportunities for Delaware to improve.

Affordability has become a higher priority. Affordability and desirability combine to define livability. People and businesses are migrating to lower cost places that still have in-demand amenities. Housing costs, tax rates, insurance premiums, health care costs, and the total cost of doing business are competitive factors that appear to be more heavily weighted in the decision process. Delaware's cost of living is well above the national average and housing prices have been rising. For businesses, affordability involves many factors, including tax rates. CNBC's latest ranking places Delaware 44th best for the overall cost of doing business.

Business timeframes are much shorter. Investment decision cycles have accelerated, with businesses valuing ready-to-occupy buildings, shovel-ready sites, adequate utilities including reliable power supply, streamlined review and permitting processes, and rapid responses from economic development professionals. CNBC's recent business friendliness ranking for Delaware was 46th.

Measuring and minimizing risk is an increasingly important factor in location decisions. The COVID-19 pandemic, a recent surge in major weather disruptions, heightened focus on crime, worker health, and shifting national economic policy have all reinforced the importance of

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risk mitigation as companies plan their long-term growth strategies. Crime rates spiked in 2020, and although they have decreased in many areas, they remain above pre-pandemic levels in others. Delaware's crime rankings are currently not a competitive advantage.

These first three trends reflect business calculations that have always been important: the need to balance cost, time, and risk. The next two showcase new opportunities.

The focus on free-trade globalization, which began after World War II and has defined bipartisan public policy for the past 35 years, has rapidly unraveled. Most experts agree that growing global tensions will compel multinational companies to adjust their labor sources, production capacity, supply chains, and logistics strategies. Reshoring, nearshoring, and new trading alliances will disrupt current plans while creating new opportunities. The United States' new industrial policy, which promotes significant investments in targeted manufacturing sectors, is generating jobs and expanding domestic capacity. For Delaware, these changes can be a source of new jobs and investment.

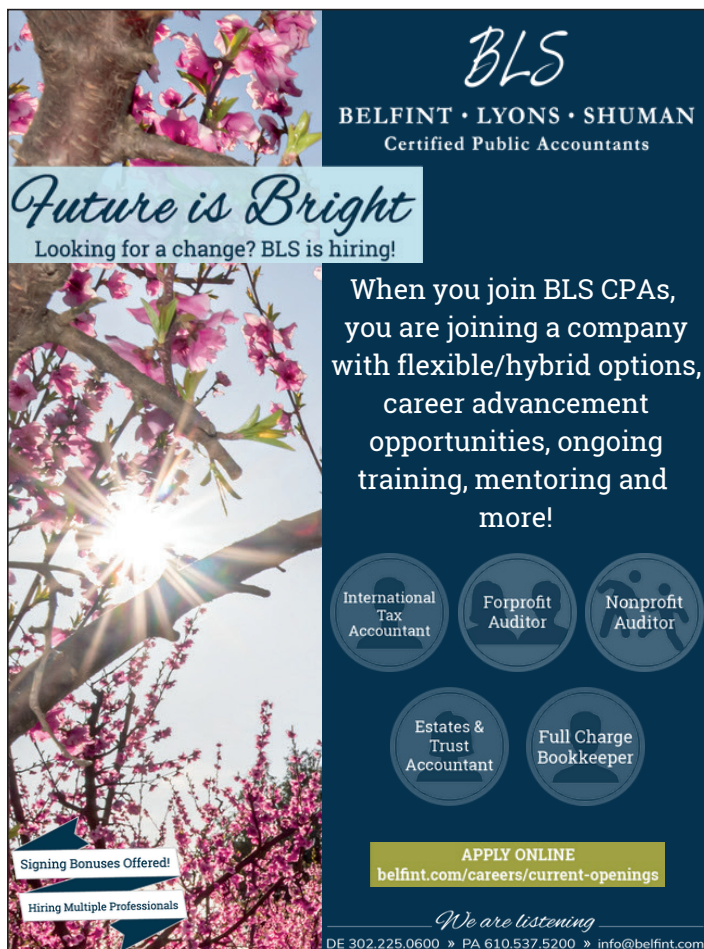
Finally, leadership foresight and action have become even more critical to success. Increasing complexity demands that leaders collaborate. In response to the rising risk trend, the factors essential to business growth and profitability have broadened. Housing, child care, and power supply have joined business climate and workforce as today's critical challenges requiring leadership. To stay competitive, enhanced cooperation among economic, community, and workforce development groups—and between public and private leaders—is required.

If Delaware wants to enjoy an economy and quality of life that rank among national leaders, there is work to be done. Virtually all other states are taking action. Step two for building a competitiveness strategy involves determining the future aspirations of stakeholders and aligning those goals with what is realistically achievable.

When asked, Delaware business leaders prioritized six areas:

- Government mandates and regulations
- Education
- The quality of the workforce
- The cost of doing business
- Leadership
- Health care

The final and most crucial step in a competitiveness strategy is to identify and implement specific actions to propel Delaware from its current competitive reality to its desired future. Successful strategic actions are typically specific, realistic, actionable, appropriately resourced, and measurable. Will Delaware step up and take the bold actions that are needed? ■



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