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Connecticut Job Creation

-Separating Policy from Politics-

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Introduction

Connecticut faces no greater challenge than reversing a thirty-year decline in its employment base. Since 2009, the state's unemployment rate has hovered at around 9%. This is nearly twice Connecticut's unemployment rate from 1994 through early 2008 when it mostly remained below 5% and never exceeded 5.6%.[1] Connecticut has lost more than 100,000 jobs, or about 5% of its employment base, since 2008.[2] Forbes Magazine recently named the Bridgeport-Stamford-Norwalk metropolitan area the hardest place in the country to find a job.[3]

Connecticut's employment challenges are not just a consequence of the most recent economic recession. From 2001 through 2008, a period of broad economic expansion in the country, Connecticut had almost no net growth in employment.[4] The number of jobs in Connecticut today is actually lower than in the late 1980s.[5] Connecticut policymakers and leadership have simply failed to create enough long-term jobs.

In this paper we analyze and make recommendations for what Connecticut policymakers should, and should not, do to both reduce short-term unemployment and promote long-term sustainable job growth.

Summary of Policy Recommendations

There are many policies promoted as job plans, but only some of them actually create sustainable jobs. Most of the others either just postpone the departure or disappearance of jobs, are handouts by politicians disguised as jobs policy, or are poorly conceived jobs policy that simply wastes money. Here are some simple guidelines and policy

[1] U.S. Department of Labor, Bureau of Labor Statistics, "Connecticut Unemployment Rate – Seasonally Adjusted," *Google Public Data Exporter*, available at http://www.google.com/publicdata/explore?ds=z1ebjpgk2654c1_&ctype=l&strail=false&bcs=d&nselm=h&met_y=unemployment_rate&fdim_y=seasonality:S&scale_y=lin&ind_y=false&rdim=state&idim=state:ST090000&ifdim=state&tstart=633502800000&tend=1317182400000&hl=en&dl=en&iconSize=0.5&icfg&uniSize=0.035.
[2] Connecticut Department of Labor Office of Research, Non-Farm Employment, http://www1.ctdol.state.ct.us/lmi/ctnonfarmemployment.asp.
[3] Jacquelyn Smith, "The Best and Worst Cities for Jobs Right Now," *Forbes* (September 16, 2011), available at http://www.msnbc.msn.com/id/44543246/ns/business-forbes_com/t/best-worst-cities-jobs-right-now/.
[4] Connecticut Department of Labor Office of Research, Non-Farm Employment, http://www1.ctdol.state.ct.us/lmi/ctnonfarmemployment.asp.
[5] Ibid.

recommendations for state policymakers to follow in their efforts to create Connecticut jobs:

1. Connecticut should focus on public infrastructure projects that both create jobs in the short term and generate long-term value by saving Connecticut individuals and businesses time and money going forward. Although tempting for politicians, Connecticut should not be using state funds to postpone expiration of unaffordable or non-economic public or private sector jobs or to simply put money in people's pockets to stimulate consumer spending. Neither creates sustainable jobs while both add to the state's fiscal woes.

2. Connecticut should not pay employers to keep or create jobs here unless the jobs that are kept or created meet three tests: 1) After the subsidy payment, the jobs can be performed competitively in Connecticut without continuing government subsidies; 2) the cost of the subsidy payment is recovered by the state in ten years or less, and; 3) the jobs would not be kept or created without the subsidy payment.

3. Connecticut should pursue policies that help create or strengthen hubs for high value-added, high growth businesses. These policies should focus on facilitating greater interaction between the state's research universities, vocational educational institutions, and the private sector, as well as selective support for job training programs.

4. Connecticut should conduct a rigorous cost/benefit analysis of state regulations, mandates, and other cost burdens the state places on Connecticut employers with a goal of modifying or eliminating those that cost the state jobs without a commensurate benefit to the state's citizenry.

5. Connecticut leaders must resolve the state's fiscal crisis and reduce the state's long-term liabilities. Connecticut has the highest debt (when including its pension and health care obligations) per capita of any state.[6] State debts, unlike federal debt, are hard obligations because, unlike the federal government, state governments can not control interest rates or strategically reduce the cost of prior borrowing by inflating the currency. Without a credible plan to reduce government spending and long term liabilities, Connecticut will eventually breach a creditworthiness threshold. When that happens, the state could see a new exodus of jobs and could lose for a decade or more all of its policy options for creating jobs and restoring economic growth.

[6] See Reuters / The Huffington Post, "10 States With the Highest Debt Per Person: Report" (October 24, 2011), http://www.huffingtonpost.com/2011/10/24/states-debt-combined-may-exceed-4-trillion_n_1029162.html#s430050&title=1_Connecticut.

Rationale and Details of Policy Recommendations

1. Public Investment versus Non-Investment Stimulus

During periods of recession, selective government spending can be an effective way to reduce unemployment. All public spending, however, is not alike. Public spending that puts money in citizens' pockets, but does not increase their capacity or save them money or time, provides far less economic benefit than spending on projects that do so.

For instance, much of President Obama's stimulus package of 2009 simply transferred money from the federal government to citizens, either directly or through state governments. While this spending had political benefits, it was not effective or efficient as economic stimulus because the individuals receiving the transfers weren't being employed on public investment projects that create future economic value and most of the money was used to pay off debt rather than for new spending.[7] Even if the money had been spent, any benefits from the net new spending would have been off-set in the future with an equal and opposite amount of economic drag when the government spending would have to be repaid in the form of increased taxes, reduced spending, or inflation. This is particularly true for state governments, where strategically lowering interest costs or inflating the currency to extinguish prior borrowing is not a policy option.

Had the 2009 stimulus funds been spent on the right kind of public investment projects, the outcome would have been different. Public spending on infrastructure investments (like building a road or a rail bed that relieves traffic congestion) creates new economic value that over the long-term partly or entirely repays the cost of the investments. A secondary benefit of investing in public projects during periods of high unemployment is that the cost is lower because interest rates are low and labor availability is high.

An easy to understand example is using public money to build a hydroelectric facility. The investment in the facility's construction creates jobs and when it is complete the project produces nearly free electricity for decades.[8] The money that is charged for the electricity is used to repay the money invested by the government, so there is no future economic drag caused by having to repay the earlier spent funds with increased taxes or reductions in spending.

Economists on the right[9] and left[10] agree that increasing spending on public infrastructure investments is the best strategy for alleviating short-term unemployment without impeding long-term growth. But for political reasons, non-investment stimulus spending

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[7] See Martin Feldstein, "Stimulus Plan an $800 Billion Mistake," *Washington Post* ˆ(January 29, 2009).
[8] See Brian Keith Edwards, *The Economics of Hydroelectric Power* (2003).
[9] See Martin Feldstein, "Rethinking the Role of Fiscal Policy," NBER Working Paper (2009), www.nber.org/feldstein/RethinkingtheRole.pdf.
[10] See Paul Krugman, "Infrastructure," *Conscience of a Liberal* (September 7, 2010), http://krugman.blogs.nytimes.com/2010/09/07/infrastructure/.

often wins out over public investment projects. The former can be effected more quickly and it is usually a better calculus for politicians because the political benefits are greater and nearer term while their costs show-up far in the future, often just beyond the incumbencies of the politicians who choose them. But it is not good jobs policy, which responsible politicians and a watchful public should discourage

In Connecticut, examples of infrastructure investments the state could undertake include:

1. Investing in road improvements and alternative means of transportation to relieve traffic congestion on Route 95, the Merritt Parkway, and major arteries around Connecticut cities. The economic, personal, and environmental costs of Connecticut traffic congestion are high. Traffic congestion is a factor considered by companies thinking about leaving or coming to Connecticut. Trucks shipping goods to and from the state incur longer delivery times and higher costs as a result of traffic congestion. Individuals don't want to live in places or work for companies if it means their commuting time is significantly increased by traffic congestion.

2. Investing in projects that will reduce the requirement for or cost of electricity. Connecticut has the second highest cost of electricity per kilowatt-hour in the United States.[11] High energy costs increase the cost of living and the cost of making products and delivering services, both of which cost the state jobs. Some projects that would save energy or lower its cost include economic hydro-electric projects, projects that conserve the government's cost of energy such as making government buildings more energy efficient, low cost financing or other incentives for businesses or individuals that invest in energy saving projects that employ people in Connecticut, and projects that reduce demand or lower transmission costs in the Southwestern corner of the state where transmission capacity is limited.

   Energy projects along the lines of those described above will be undertaken voluntarily by the private sector if the economic returns are high enough. Where government can play a role is when the economic returns are insufficient or financing is unobtainable for private sector participants. These projects may still make sense for the government to support because of the public benefits that aren't captured by private sector investors and government's lower return threshold. In these cases, the government can offer financing, tax or other incentives, or guarantees to encourage the private sector to make these investments.

   Connecticut has recently experienced several lengthy power outages involving hundreds of thousands, if not a million or more, households and businesses.[12] Power outages cause significant direct economic costs on individuals and

[11] See Electricity Prices by State, http://www.electricchoice.com/electricity-prices-by-state.php.
[12] See, for example, Associated Press, "Northeast Bears Up on 4th Day Without Power," *Wall Street Journal Online*, http://online.wsj.com/article/AP81f13f1a69624b82b2da5b42f4c27110.html.

employers. They also present a future risk to employers which could result in decisions by them to leave the state, not expand here, or not come here. Investments by the government or facilitated by the government to reduce the incidence of future power outages may be another opportunity for the government to create jobs and future value in the economy.

3. Investing in our inner cities. Urban development projects that restore the attractiveness and vibrancy of city centers and make them places where young, middle and upper income urbanites want to live and employers want to locate will help reduce the flight of young people from Connecticut and broaden the economic foundation of our most challenged cities – Bridgeport, Hartford, New Haven, Waterbury, and New London. Whether investing directly or providing incentives to the private sector, effective urban development projects are usually linked with commitments by employers to bring jobs to the community.

4. Investing in transportation projects that will shorten the time it takes to get from Hartford, Waterbury, New Haven, and New London to New York City and, in the case of Hartford and New London, to Boston. Connecticut's cities are small and can not provide the breadth and depth of urban assets available in major metropolitan areas such as New York and Boston. Making New York and Boston more easily accessible from Connecticut cities would make those cities more attractive to individuals and employers.

These are some examples of how government policy-makers should be looking at opportunities to create jobs and stimulate the state's economy without adding to the state's already challenging fiscal problems and unwieldy debt. Government policymakers should prioritize their investment options based on the economic value they create. In the private sector, investment decisions are largely made based on the economic value they provide as measured by analytical tools such as payback, present value, and internal rate of return. Unlike private sector investors, governments can add to these analyses public benefits and, because governments do not require a profit on capital, investments that do not meet private sector return thresholds may still be good public policy. Even so, policymakers should strive to enter only into projects that provide the highest economic return for the state's citizens and should avoid being swayed by political factors unrelated to projects' economic value.

2. Pay Employers for Jobs Only Under Limited Circumstances

Connecticut, like many states, has a recent history of paying employers to keep or bring jobs here. These payments sometimes are directed to individual companies. In other instances, they are provided to industry sectors. UBS and Jackson Laboratories are two recent examples of the former. Connecticut's Manufacturing Assistance Act and Small

Business Express Program, both focuses of the state's most recent jobs creation package,[13] are examples of the latter.

State incentives for employers are politically popular because they can be sold as business-friendly policies that support "private sector" jobs. But many economists and other analysts believe that these incentives are often imprudent public policy.[14] It is questionable whether many forms of incentives create jobs at all. And by picking certain individual companies, types of businesses (e.g. small business or manufacturing firms), or business activities (e.g. short-term hiring) to subsidize, rather than simply reducing business costs and inconveniences across-the-board, the government risks distorting the marketplace and undermining long-term economic growth and job creation.

This is not to say that providing subsidies to employers is never warranted for keeping or creating jobs. But it must be practiced prudently and selectively. Whether or not an incentive program is good policy can be determined by looking at three factors.

The first factor is how much the government is investing per job and how long it will take to recover that investment through increased revenues from the employee and employer. A rough estimate of the revenue the state generates from a job is five percent of the compensation paid to the employee. This estimate is based on the revenue from income, sales, and other taxes minus the incremental cost of having that individual in state. So, a $75,000 per year job would generate $3,750 of annual revenue. A ten year payback would be an outside limit of a reasonable investment return, indicating the state could economically pay or provide a one-time incentive of up to half of a job's annual salary – or $37,500 for a $75,000 per year job, $50,000 for a $100,000 per year job, and so on.

The second factor is whether, after a payment or other incentive has expired, the job remains competitive in Connecticut without any further government support. If an employer is threatening to leave Connecticut or reduce jobs in the state, or claims that they will not locate here or make new hires without state incentives, it probably means that without continuing support the employer cannot remain competitive employing people in Connecticut. If this is the case, the jobs will disappear once the subsidy expires unless the state does something in the interim to lower the cost or increase the value of those jobs. The state should therefore limit its incentive programs to unique situations where a company will not create or maintain a Connecticut job without state incentives, but that job is or will become economically competitive here without continuing government support.

The third factor is assuring the state's incentives are directed at jobs that would not have been created without the incentive. For instance, Connecticut, like many states, provides tax credits to employers for new hires. In Connecticut's most recent jobs bill, the state provided businesses a monthly tax break of $500 to $900, or $6,000 to $10,800 annually,

[13] See Connecticut Office of Legislative Research, Bill Analysis of HB 6801 As Amended, http://www.cga.ct.gov/2011/BA/2011HB-06801-R01SS3-BA.htm.
[14] See David Brunori, "Principles of Tax Policy and Targeted Tax Incentives," 29 *State and Local Government Review* 50 (1997).

for each new job created in the next two years.[15] However, since the annual wage in Connecticut is roughly $50,000,[16] a new job still costs employers an average of $40,000-$45,000 per year, a commitment they would be unlikely to make unless the job was economically sound irrespective of the government subsidy. Such a subsidy may induce some businesses to make hires they otherwise wouldn't, but most of the cost will simply be wasted on new hires that would have been made anyway. In Oklahoma, the nonpartisan Oklahoma Tax Commission came to exactly this conclusion about many of its state incentive programs – one program cost the state $18 million while creating only 21 jobs.[17] Connecticut should take care that its new job tax incentives are crafted carefully so they are not wasted on jobs that would have been created anyway.

If these three principles are applied to payments and incentives to keep or bring jobs to Connecticut, we can be comfortable that what is always good politics is also good policy. But the difficulty of meeting all three requirements should not be understated. The recent bankruptcy of several renewable energy companies that received hundreds of millions of dollars of federal stimulus funding reveals the risks when the government tries to be a venture capitalist.[18] Subsidies for employers should not be the cornerstone of a Connecticut job creation plan. Rather, the state should focus on policies that make Connecticut an attractive location for employers in the first place, rendering subsidies unnecessary. Public infrastructure investments are one example of this. The remaining three policy recommendations address other opportunities.

3. Support Hubs for High Value-Added, High Growth Businesses

All jobs are not the same. Many jobs are leaving Connecticut because the state's high cost of living requires higher pay for employees. If a job can be performed in another location where the cost of living is lower, the jobs will eventually migrate there. So Connecticut must support the creation of high value-added jobs that warrant the higher pay required to live here and cannot be easily transferred out of state to lower cost locations.

One of the ways governments can support the creation of these jobs is to stimulate the development of resources these employers need to build their businesses. These resources

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[15] See Connecticut Office of Legislative Research, Bill Analysis: HB 6801, As Amended, http://www.cga.ct.gov/2011/BA/2011HB-06801-R01SS3-BA.htm.

[16] Bureau of Labor Statistics, "May 2010 State Occupational Employment and Wage Estimates" Connecticut," http://www.bls.gov/oes/current/oes_ct.htm#%282%29.

[17] See Ricky O'Bannon, "Oklahoma Rep. Cory Williams Says Tax Incentives Not Creating Jobs as Promised," *Stillwater News Press* (October 22, 2011), http://www.stwnewspress.com/local/x2117290351/Oklahoma-Rep-Cory-Williams-says-tax-incentives-not-creating-jobs-as-promised.

[18] See Joe Stephens and Carol D. Leonnig, "Solyndra: Politics Infused Obama Energy Programs," Washington Post (December 25, 2011), http://www.washingtonpost.com/solyndra-politics-infused-obama-energy-programs/2011/12/14/gIQA4HllHP_story.html?hpid=z1; Fox News, "Solyndra Not Sole Firm to Hit Rock Bottom Despite Stimulus Funding" (September 15, 2011), http://www.foxnews.com/politics/2011/09/15/despite-stimulus-funding-solyndra-and-4-other-companies-have-hit-rock-bottom/.

include the research capability for new product development, special training and skills for employees, and a network of suppliers of critical products and services. When these exist at a location in significant enough quantities, they help create hubs or clusters that further attract employers and create jobs. Notable examples of hubs include Detroit, Silicon Valley, The Research Triangle near Raleigh, NC, and Route 128 near Boston.[19] It isn't clear what the root causes are of the development of a hub, but anything government can do to uniquely lower the cost or enhance the capability or capacity of entrants in high value-added, high growth industries is likely to favor the development of a hub and create jobs.

Connecticut is well positioned because its outstanding academic institutions and highly skilled workforce give it an advantage over other states in many industries. Examples of support government can offer to take advantage of these resources include:

- Encouraging cooperation between academic institutions and employers who develop commercial products from research performed at those institutions. For instance, government can sponsor panels, conferences, and other public forums for discussions about practical applications of scientific innovations. This type of facilitation involves very little public spending. And it can make a difference because the private sector rarely undertakes this activity on its own.[20] In North Carolina's Research Triangle this activity was an important contribution of state government to the hub's growth.[21]

- Working with employers to develop and train the workforce they need. Interestingly, even as millions of Americans are unemployed, many companies report that they have had positions open for more than six months for which they cannot find a suitably qualified applicant.[22] This is especially true for skilled labor positions. There are, for instance, too few engineers, scientists, and computer programmers to meet employers' demand.[23] However, there is also a shortage in fields not requiring an advanced degree such as welders, other skilled construction workers, nursing aids, and nutritionists – occupations forecast to grow in Connecticut.[24]

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[19] See Michael J. Enright, "Regional Clusters and Firm Strategy," in *The Dynamic Firm: The Role of Technology, Organization and Regions* (1998), 315-342; Glenn Ellison & Edward L. Glaeser, "Geographic Concentration in U.S. Manufacturing Industries: A Dartboard Approach," 105 *Journal of Political Economy* 889-927 (1997).

[20] For more information on the value of these types of forums, see Michael Piore, *Innovation – The Missing Dimension* (2004).

[21] For more information on the origins of the Research Triangle Park, see Albert N. Link & John T. Scott, "The Growth of Research Triangle Park" (2000), www.dartmouth.edu/~jtscott/Papers/00-22.pdf.

[22] Manyika, et. al. "An economy that works: Job creation and America's future," *McKinsey Global Institute* (June 2011).

[23] Ibid.

[24] Connecticut Department of Labor Office of Research, "State of Connecticut Occupations Hot Jobs: 2008-2018," http://www1.ctdol.state.ct.us/lmi/cttopjob.asp; Construction Education Center, "Skilled Labor Shortage Puts New Demands on Connecticut Construction Contractors," http://www.constructionequipment.com/skilled-labor-shortage-puts-new-demands-connecticut-construction-contractors.

Connecticut government can work with employers to develop and help cover the costs of training programs that convert an employee's skills and experience suited to an industry that is migrating out of the state to the skills and experience of an industry that is growing here. However, workforce training is only good policy when conducted in conjunction with employers' immediate needs. Further, like targeted tax incentives, the cost of training undertaken or subsidized by the government should be recovered over a period of ten years or less.

- Creating a unified information services platform. Like all markets, labor markets operate most efficiently when information availability is highest. In Connecticut, there is currently no easily accessible public information integrating employer needs, citizens' abilities, training programs, and grants. Employers often do not know where to find the skilled workers they need and many citizens do not know where to find the jobs and training they need. Training centers often do not have strong ties to relevant employers.

  A centralized system of information collection and distribution would provide a valuable resource to employers considering Connecticut and would make them aware of all the human capital resources the state has to offer. The state should approach the creation of this information system not from the perspective of its own existing departments, but rather from that of the end user. It should orient its data collection to match the users' informational needs, and organize it in a way that maximizes clarity and availability.

- Selective use of targeted tax incentives such as those Connecticut provided to the film and television industry, subject to the limitations discussed in the previous section.

Connecticut already has established skilled workforces and a critical mass of competitors in several industries where government support could encourage additional growth and jobs. These include healthcare services, medical devices, pharmaceuticals, biosciences, high tech materials and metallurgy, and complex manufacturing. Connecticut leaders and policy makers must not only ensure that they support the growth of hubs for targeted industries, but that they not do anything to dissipate the ones that already exist or are nascent here.

4. Reduce Unnecessary Red Tape and Regulations

When employers are deciding when and where to hire people they look primarily at workforce capability, cost, and convenience of doing business. Red tape, mandates on employers, and a state's regulatory environment affect both employers' costs and convenience. If a state does not have unique workforce capability or otherwise lower workforce costs, the cost and inconvenience of red tape, mandates, and the overall regulatory environment will cause employers' who can hire out of state to do so in states with lower regulatory costs. So a state should take care to ensure that the benefits of its mandates and regulations are worth the burden they impose on economic activity and job growth. Even just an attitudinal shift of state government working more cooperatively with employers to find the appropriate balance between regulatory benefits and costs can make a big difference.

Employers' location decisions are partly mathematical and partly guesswork. In the domain of regulatory impacts, the actual costs of current red tape, mandates, and regulations can be calculated. The impacts of general bureaucratic inconvenience and the future costs of new red tape, new mandates, and new regulations are mostly guesswork. Employers' assessments of what these costs might be are affected by the culture and attitudes of government. A helpful, cooperative attitude toward employers can make a large difference in an employer's decision about where to locate and grow his or her business. States that heap additional costs on employers with taxes, mandates, regulatory burdens, and overzealous and unresponsive bureaucracies lose out to states that are more accommodating to employers' needs.

The steady migration of jobs from northern industrial states over the last fifty years to southern states can only partly be explained by the direct costs of doing business. Right to work laws, less inconvenience, and more business friendly attitudes among governors and legislatures in southern states have also been important factors.[25] Connecticut has performed poorly on job creation partly because the cost of living, cost of labor, and cost of energy are high – three factors over which the state government has very little control. But Connecticut also has a legislature with a reputation for being anti-business. At least anecdotally, Connecticut is considered overregulated and a bureaucratically difficult place to do business. For instance, Connecticut ranked in the bottom third of states in recent CNBC[26] and Forbes[27] rankings of the country's best states for doing business. This perception, whether or not true, is a problem that can cost the state jobs.

Connecticut leadership should undertake to change this perception. Actions that would help include:

- A thorough review of all current paperwork requirements, mandates, and regulations to measure their costs against their benefits. Any for which the benefits do not exceed the costs should be eliminated by executive order or re-presented to the legislature for elimination. Those for which the benefits exceed the costs should remain in place.

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[25] Isolating the impact of these factors is empirically difficult, but studies have consistently shown at least some statistically significant connection between state regulatory environments and business activity. *See, for example*, Donald Bruce & John Deskins, *State Tax Policy and Entrepreneurial Activity*, Small Business Administration (2006), http://archive.sba.gov/advo/research/rs284tot.pdf; Joseph M. Phillips & Ernest P. Goss, "The Effect of State and Local Taxes on Economic Development: A Meta-Analysis," 62 *Southern Economic Journal* 320 (1995); Richard J. Cebula, "Right-to-Work laws and Geographic Differences in Living Costs," *American Journal of Economics and Sociology* (July 1983), 329.
[26] CNBC, "America's Top States for Business 2010," http://www.cnbc.com/id/37516043/.
[27] Kurt Bandenhausen, "Table: The Best States for Business and Careers," Forbes (October 13, 2010), http://www.forbes.com/2010/10/13/best-states-for-business-business-beltway-best-states-table.html.

- An independent, non-partisan panel should be created and legislatively empowered to assess and publish the quantifiable costs and benefits of any future paperwork requirements, mandates, or regulations proposed by the executive branch or legislature. This would help depoliticize the process and make it more transparent.

- An independent review of the government's procedures for managing and processing regulatory approvals. Streamlining regulatory processes does not have to reduce the effectiveness of regulations, but can substantially reduce the burden those regulations place on businesses. An aggressive and public effort by the governor and leadership in the executive branch to improve responsiveness and turn-around times for regulatory approvals could help improve Connecticut's attractiveness to employers.

The best part about these recommendations is that they come at almost no cost. Consistent messaging, changing agency cultures, and eliminating unnecessary paperwork, mandates, and regulations all result from strong leadership, not from spending money.

5. Solve the State's Chronic Deficits and Reduce its Long Term Liabilities

Connecticut's fiscal woes create a lot of uncertainty for employers. Uncertainty makes employers reluctant to invest here because Connecticut's current spending and future debt must be paid for with future taxes or spending reductions, either of which could fall heavily on the state's employers.

Despite Connecticut's claim that its budget is balanced this year[28], the state's long-term fiscal outlook remains bleak. Projected future budgets are not balanced and future state liabilities for bonded debt, pensions, and retiree healthcare loom large on the horizon. Whether Connecticut's future liabilities are $60 billion, or closer to $100 billion as some have projected, Connecticut's future liabilities on a per capita basis stand-out as first in the nation at $20,000 to $30,000.[29] Connecticut leaders should work toward better long term fiscal stability and shrinking the state's long-term liabilities. By reducing these uncertainties and related risks to employers, employers will be more willing to make long term commitments of capital and people here creating more jobs for the state.

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[28] See http://www.ctmirror.org/story/14649/fiscal-analysts-leave-large-question-mark-over-small-budget-surplus.

[29] For projection of Connecticut's unfunded liabilities, see Connecticut Society of Certified Public Accountants, *Connecticut's State and Local Government Crisis: Fixing Our Future*, http://www.cscpa.org/Content/Files/Pdfs/Fixing%20our%20Future.pdf, at 16. For a comparison to other states, see John Hood, "The States in Crisis," *National Affairs* (Winter 2011), http://www.nationalaffairs.com/publications/detail/the-states-in-crisis.

Conclusion

Politicians and policymakers face understandable pressure to do "something" when economies turn down and jobs become scarce. But often, the most politically popular options are not the best policy. This is sometimes true even of policies with bipartisan support. Many job creation strategies simply delay inevitable economic changes beyond the incumbencies of the politicians who enact them without helping to promote long-term, sustainable job growth. The policies' costs are passed down the line to future leaders,

The goal of this paper has been to provide recommendations to citizens and politicians for job creation programs that are good policy – not just good politics The paper also identifies policies that often get political traction during recessions, but are not effective at creating jobs and should be avoided.

Over the last several decades, Connecticut has a poor policy record related to job creation and the results are clear. The current recession has hit Connecticut hard. But even more troubling is the fact that over the last twenty-two years, Connecticut's workforce has shrunk, even as the total U.S. workforce has grown steadily.[30]

Connecticut faces many challenges in keeping and bringing jobs here. Connecticut has a high cost of living and therefore high cost of labor. Energy costs are high. The state is more regulated and deemed less employer-friendly than many states.

But Connecticut also has important assets around which to create new jobs. Connecticut has excellent educational institutions that conduct important research and produce highly educated and highly trained graduates. The state has a highly skilled workforce specific to certain industries that cannot be easily matched elsewhere. Connecticut is a place where many highly skilled and well-educated people prefer to live.

Well-chosen policies can make a big difference. Poor policy choices not only do not help, but it can hurt by wasting money that further complicates Connecticut's difficult fiscal challenges. Now more than ever, it is important that Connecticut leaders select and implement good job creation policy to ensure a bright economic future for Connecticut and its citizens.

[30] For total US employment figures since the 1980s, see http://www.nidataplus.com/lfeus1.htm.