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Analysts sound off on possible Aetna move from Connecticut



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Experts are divided over whether news that insurance giant Aetna is shopping for a new home for its headquarters will result in more corporations leaving the state.

But John Boyd, whose Princeton, New Jersey, company consults with some of the nation's leading companies on corporate relocations, and Connecticut-based economist Donald Klepper-Smith agree on one thing: Convincing a company to do business in Connecticut is a really tough sell right now. Aetna officials confirmed Wednesday that the company is looking at several locations that a spokesman would not identify.

“Companies are looking to move their headquarters right now to places that have panache and that something that Hartford doesn’t have right now,” Boyd said, adding that Aetna is not one of his company’s clients.

Klepper-Smith’s predictions are more dire.

“There’s a sense of urgency as sense of panic, at least with the people that I’m hearing from,” he said. “We’re starting to see some cracks in business confidence.”

Klepper-Smith said he will be watching median single-family housing prices in the coming months. The median sale price of single-family home that sold in the state during April was \$246,000, according to the Connecticut Realtors trade group, a 0.4 percent or \$1,000 decline from where it was during the same period in 2016.

“If we start to see a sustained decline the housing market, that doesn’t go on for weeks or months, it has the potential to go on for years,” he said. “People get scared when that happens because its taking money out of their pockets.”

Boyd said he doesn’t believe Aetna will pull all of its employees out of Connecticut.

“The trend is for companies like Aetna to have a marquee address for branding purposes, but I expect they will keep a lot of their back office operations in Connecticut,” he said. “And I don’t think it’s a forgone conclusion that it’s going to be New York, either. I suspect this has been in the works for a year or two, that the company has done its due diligence and is now working the phones with the governors of Maryland, Virginia, New Jersey and Governor (Andrew) Cuomo in New York.”

Although New Jersey used to be called “The Nation’s Medicine Chest” for its preponderance of pharmaceutical companies, the focus of the industry has shifted to the suburbs of Washington, D.C., in Maryland and Virginia, Boyd said.

“But I wouldn’t rule out Jersey City, New Jersey, either, because of its location across the river from New York,” he said. “Believe it or not, some of the most attractive Class A office space in country is the pipeline in Jersey City, at a considerably lower cost than a company would pay to be in Manhattan. Jersey City has panache, Hartford does not.”

Because Aetna has not picked a new headquarters location yet, Boyd said it is impossible to predict the number of employees who might lose their jobs. But he said Aetna employees who lose their jobs should not have any trouble finding new jobs quickly.

“The Connecticut labor market will be enriched with hundreds of highly skilled workers and the remaining companies like Cigna, Travelers and Anthem will scoop them up, which makes those companies less likely to move at least until the next election cycle.”

In a study released in mid-April, a study released by Boyd's company said annual operating costs for manufacturing companies in Connecticut were estimated to \$38.6 million per year, with only New Jersey and New York having higher operating costs. The lowest annual operating costs, \$30.1 million, were in South Carolina, according to the study.

Boyd said he thinks the cost differential for white-collar jobs like those in the insurance industry "are likely to be even wider."

"There is a premium that comes with recruiting top talent in Connecticut," Boyd said.

"And I know its a tough sell to the voters, but that's why in a high-cost state like Connecticut, corporate incentives are necessary because of the cost differential."

Klepper-Smith said the news about Aetna "should serve a shot across the bow of everyone in Hartford."

"Are we becoming one of those places that are like a cul-de-sac when it comes to business growth?" he asked rhetorically. "If a company is looking to grow, right now they're saying, 'Thanks, but no thanks, Connecticut.'"