

March 26, 2026

Esteemed Chairs Fonfara and Horn,
Members of the Finance, Revenue and Bonding Committee:

The Western Connecticut Council of Governments (WestCOG) appreciates the opportunity to comment on Raised Bill No. 513, *An Act Concerning the Connecticut Workforce and a Productivity Gap Surcharge*.

WestCOG serves as the Economic Development District (EDD) for western Connecticut and is responsible for the development of the region's Comprehensive Economic Development Strategy (CEDS). The region's CEDS calls for a strong, adaptable economy supported by a well-educated and diverse workforce. The CEDS also emphasizes the importance of enabling businesses and workers to adapt to structural changes such as digitalization, evolving work patterns, and technological advancement.

Connecticut's economic competitiveness—and that of Western Connecticut in particular—is rooted in high productivity, high skill levels, and strong output per worker in knowledge-intensive industries, rather than low costs. The region's concentration of professional services, finance, healthcare, and technology industries reflects this model, and the CEDS identifies growth in advanced technologies as central to future economic development.

In this context, the proposed workforce and productivity gap surcharge raises concerns regarding both implementation and economic alignment.

- From an implementation perspective, the bill relies on a distinction between workforce “augmentation” and “displacement” that may be difficult to apply consistently in practice. Productivity gains in modern industries arise from a combination of both, as firms adopt new technologies and reorganize work. This may create challenge in defining, measuring, and administering a “productivity gap” across diverse industries and business models.
- From an economic perspective, the proposed framework may have consequences for the state's competitiveness. To the extent that a surcharge is triggered when productivity increases coincide with reduced labor intensity, the policy may capture outcomes that are characteristic of high-skill, high-productivity sectors. These sectors are central to the region's economic development strategy and are a primary source of long-term growth.

More broadly, many of the structural changes identified in the CEDS—including digitalization, remote work, and evolving industry practices—are associated with shifts in workforce structure and productivity. These shifts may fall in the scope of the bill's definition of a “productivity gap,” even where they reflect broad-based economic transformation rather than discrete instances of worker displacement.

Given the novelty and complexity of the proposed approach, WestCOG suggests that further study could help clarify several key questions, including:

- How can productivity gains be reliably attributed to workforce displacement as opposed to augmentation or other factors such as capital investment, market conditions, or business cycle effects?
- How can a “productivity gap” be measured consistently across industries with fundamentally different labor and revenue structures?
- How would multi-state or multi-national firms allocate revenue and workforce changes for purposes of calculating such a surcharge?
- What behavioral responses might the policy induce with respect to hiring, investment, or the geographic distribution of employment?
- How would the proposed framework interact with broader economic trends such as remote work, automation, and evolving organizational structures?

Addressing these questions in advance may help ensure that any policy adopted is both effective and aligned with the state’s economic development objectives.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Francis Pickering". The signature is written in a cursive, flowing style with a long horizontal stroke at the bottom.

Francis R. Pickering
Executive Director