

2015

# Hartford-New Haven-Springfield Business Survey





# Introduction

Together, the Greater Hartford, New Haven, and Springfield metropolitan areas represent one of the highest-potential business centers in the nation.

Comprising Hartford, Tolland, New Haven, and Middlesex counties in Connecticut<sup>1</sup> and Franklin, Hampden, and Hampshire counties in Massachusetts, the area is the second largest population, education, and economic center in New England.

Home to 41 colleges and universities and 64,000 businesses, the region consistently ranks among the nation's top 10 in advanced degrees, science and engineering doctorates, and new patents registered per capita.

Areas of excellence and investment include financial services, bioscience, aerospace, healthcare, education, insurance, precision manufacturing, research, and energy.

In addition to these assets and its close proximity to Boston and New York's commerce, sports, and entertainment centers, the Hartford-New Haven-Springfield region also has the advantage of being a large and concentrated market, giving it a sizeable potential labor pool and ready access to consumers. It is the 20th biggest metro region in the U.S., ranking ahead of Denver and St. Louis, with twice the population density of those areas.

Since 2007, the New England Knowledge Corridor, the area's primary driver for economic development and competitiveness, has partnered with the Connecticut Business & Industry Association to survey companies throughout the region about their priorities and challenges, including workforce development, transportation, international trade, and business costs.

Surveys are conducted every two years.

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<sup>1</sup> This year, the survey was expanded to include New Haven and Middlesex counties.

## Key findings in 2015:

- ▶ Taxes are the greatest challenge to operating a business in the Hartford-New Haven-Springfield region.
- ▶ Respondents' economic outlook shows improvement. While a weak economy and decreased consumer spending were identified as the primary challenge for nearly half of the respondents in the last two surveys (47% of respondents in 2013, and 46% in 2011), just over a quarter (26%) see this as their primary challenge today, and only 13% believe it will be their main challenge five years from now.
- ▶ As the economy improves, the percentage of businesses recording a profit is inching up: 62% were profitable in 2014, compared to 59% in 2012 and 54% in 2010. The percentage of businesses reporting a loss (16% in 2014) is up slightly from the previous survey (13% in 2012) but still down significantly from 2010, when one in four respondents were in the red.
- ▶ Businesses are nearly evenly divided about the region's near-term economic forecast: 31% of respondents anticipate improved conditions in 2015, 32% expect some decline, and 37% believe conditions will remain stable.
- ▶ About a third of respondents have operations in both Connecticut and Massachusetts, and more expect to

in five years. Nearly one in three companies surveyed said discrepancies and costs associated with licensing, taxes, regulations, and other factors are barriers to doing business across state lines.

## Regional Assets & Challenges

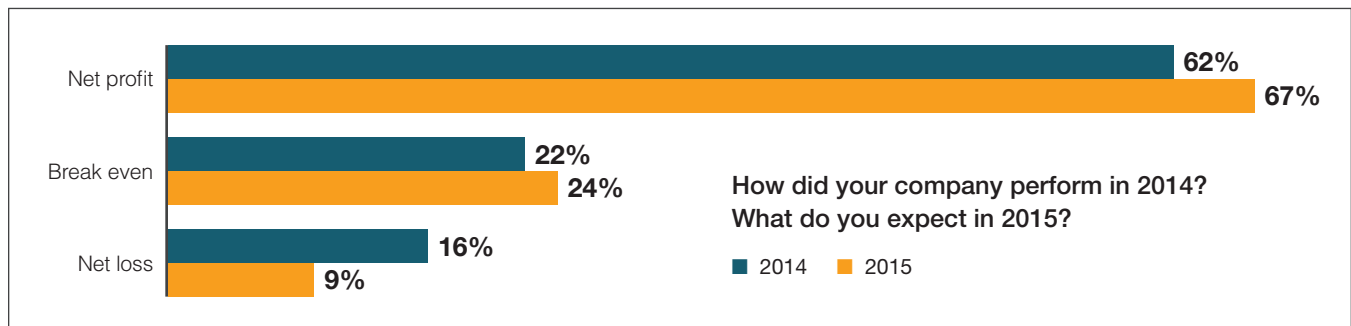
Our surveys traditionally bear out that the greatest benefit to running a business in the Hartford-New Haven-Springfield region is the area's quality of life.

However, while 35% of respondents in 2015 cited quality of life as the region's greatest advantage, that represents a steady decline from 40% in our last survey, 43% in 2011, and 47% in 2009.

Proximity to customers (ranked first by 24% of respondents) and access to major markets (17% of respondents) are also seen as regional assets.

Sixty-three percent of respondents characterize the region's cultural attractions as excellent or good, and 73% say the same about the region's retail offerings.

Although 13% of businesses surveyed identified skilled workforce as the number-one advantage to doing business here, a shortage of skilled workers was also cited as the third biggest barrier preventing companies here from expanding.



In fact, nearly one in four respondents (23%) expects the skilled workforce shortage to become the single greatest challenge to operating a business here over the next five years.

**THE REGION'S TOP CHALLENGES IN 2015 ARE:**

- ▶ Taxes (31% of respondents)
- ▶ Weak consumer spending (26%)
- ▶ Labor shortage (18%)
- ▶ Regulatory climate (10%)
- ▶ Transportation infrastructure (6%)

**PROJECTED TOP CHALLENGES FOR 2020:**

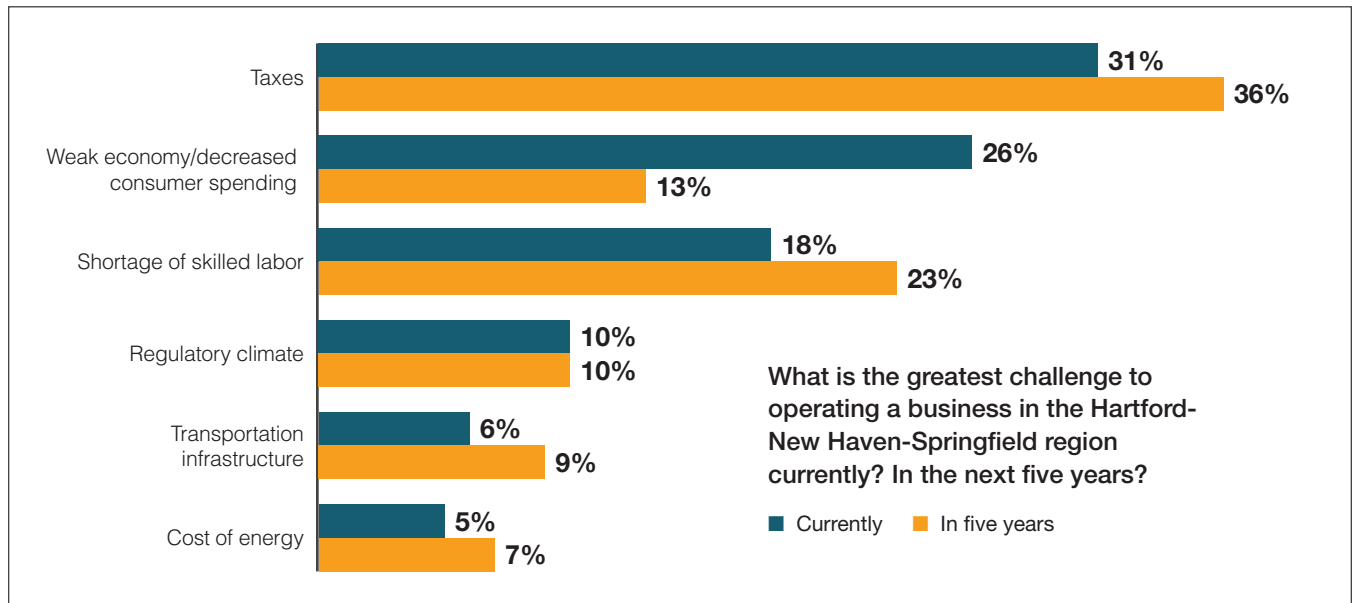
- ▶ Taxes (36%)
- ▶ Labor shortage (23%)
- ▶ Weak consumer spending (13%)
- ▶ Regulatory climate (10%)
- ▶ Transportation infrastructure (9%)

## Economic Outlook

The percentage of Hartford-New Haven-Springfield businesses turning a profit is the highest it has been since the recession hit, with 62% recording a profit in 2014 and 67% expecting to in 2015. (In 2006, 65% recorded a profit, and 71% expected to in 2007.)

While businesses surveyed this year are split on whether economic conditions in the region will improve, decline, or remain stable, they are more optimistic about their own companies' prospects, with 47% expecting more robust performance in 2015, and only 16% expecting performance to deteriorate.

Confidence in the U.S. economy is strongest, with 55% of respondents expecting improvement this year.



## International Trade

For the vast majority of businesses surveyed, customers within the U.S. account for most of their sales revenue. Eighty-nine percent of the region's businesses surveyed attribute more than 75% of their current sales to domestic clients.

Slightly fewer, however—83%—expect that to be the case five years down the road, when international sales represent a bigger slice of the pie.

One in ten businesses surveyed anticipates that by 2020, foreign markets will account for more than 25% of their sales.



**The New England Knowledge Corridor is an innovative, skilled, and resourceful region. Through the survey, you can see and feel the tremendous energy and opportunity here, despite the challenging economic and regulatory environment. This is why we, and other companies, chose to expand from central Connecticut into the contiguous area of western Massachusetts. The combination of knowledge-based institutions and innovative businesses creates the critical mass required for sustainable success.**

**John J. Patrick, Jr.** | Chairman, President, and CEO, Farmington Bank

## Expansion

By 2020, 41% of respondents expect to have a presence in both Connecticut and Massachusetts. Today, 31% have operations in both states.

There are barriers, however, to conducting business across the Massachusetts–Connecticut state line, including differences in the two states' licensing requirements, costs associated with maintaining licenses in both states, regulatory discrepancies/compliance issues, legal restrictions on franchises, different taxes and exemptions impacting certain transactions, unemployment insurance, and more.

If we are to promote regional business growth, economic activity, and job creation, this is an area that deserves further investigation.

## Strategies for Growth

In 2009, 56% of Hartford-New Haven-Springfield businesses surveyed had no plans to expand their business—not a surprising result, given economic conditions at the time.

This year's survey tells a different story. Only 10% of businesses do not plan to expand. The rest plan to deploy a number of strategies to grow their market and their bottom line. These include:

- ▶ Web-based marketing (42%)
- ▶ Direct mail (41%)
- ▶ Hiring additional workers (39%—a considerable decrease from 59% in 2013)
- ▶ Strategic alliances (36%)
- ▶ Investments in new technologies (35%)
- ▶ Employee training (34%)

- ▶ Investing in equipment (31%)
- ▶ Mergers/acquisitions (19%)
- ▶ R&D (12%)

## Barriers to Growth

What makes it difficult for the region's businesses to expand?

Different factors have become more—or less—significant over the last two years. Consumer spending has picked up and economic uncertainties have eased somewhat, for example, while concerns about the workforce shortage have intensified.

Compare the top seven answers today versus 2013:

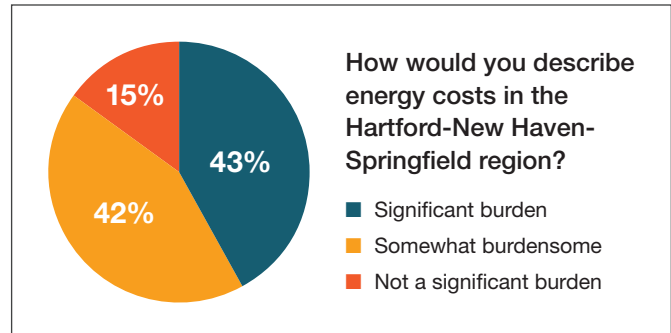
### BARRIERS TO GROWTH, 2015

- ▶ Cost of doing business (52%)
- ▶ Economic uncertainties (47%)
- ▶ Shortage of qualified workers (30%)
- ▶ Affordable Care Act (23%)
- ▶ Domestic cost competition (21%)
- ▶ Decreased consumer spending (20%)
- ▶ Credit availability (13%)

### BARRIERS TO GROWTH, 2013

- ▶ Economic uncertainties (61%)
- ▶ Cost of doing business (48%)
- ▶ Decreased consumer spending (29%)
- ▶ Affordable Care Act (28%)
- ▶ Shortage of qualified workers (18%)
- ▶ Domestic cost competition (15%)
- ▶ Credit availability (9%)

In a separate question, 85% of businesses characterized energy costs in the region as burdensome—half of those saying the costs are a significant burden.



## Transportation

A 2014 CBIA survey found that Connecticut business leaders rank transportation in the top three areas—behind only economic development and education—for desired state government spending priorities.

Companies need to move goods and services with the speed and efficiency that allows them to compete in a global economy. Well-maintained roads, safe bridges, and highways with good peak-hour volume-to-capacity ratios not only encourage economic development but also benefit workers, enhance a state's quality of life, attract new business investment, and help create and sustain tens of thousands of construction-related jobs as well as jobs for planners, designers, and materials suppliers.

Earlier this year, Connecticut Gov. Dannel P. Malloy released a 30-year, \$100 billion transportation plan for the state that includes highway, bridge, and bus proposals. Massachusetts also recently identified priority projects to address road and bridge repairs, maintain airports, improve transit services, and ease congestion on the state's major arteries.

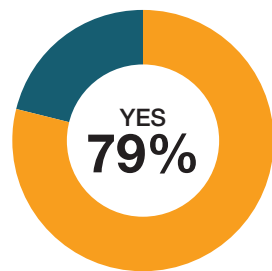
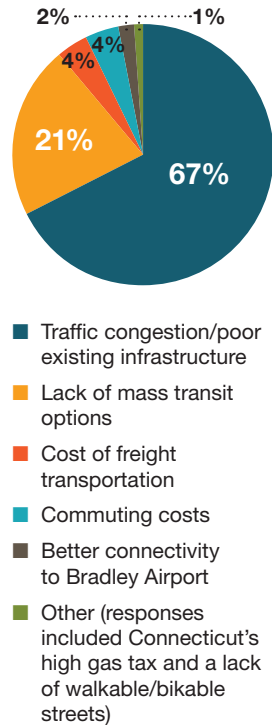
Respondents to the *2015 Hartford-New Haven-Springfield Business Survey* cited traffic congestion and poor infrastructure as the most pressing transportation issues for the region (67%), followed by lack of mass transit options (21%).

Nearly four out of five respondents use Bradley International Airport for business transportation, and a third use Bradley at least six times a year. When asked what would increase their usage of Bradley, the number-one answer for all respondents was more direct flights (66%), followed by cheaper fares (48%) and more flights in general (24%). Seventy-eight percent said more flights from Bradley to Europe would benefit the region.

Respondents overwhelmingly agree that added commuter rail and better connectivity with Boston and New York would be a boon to the region. Sixty percent say the planned intercity (New Haven-Hartford-Springfield) high-speed commuter rail will benefit the region, and 16% say it will benefit their business directly. Seventy-nine percent are in favor of a higher-speed commuter rail connecting New York, Boston, and points between.

More than 40% believe faster connections to Boston and New York would benefit their business, and 45% believe a commuter hub enhanced by train and bus service with nearby development would be attractive to workers.

**What is the single most pressing transportation issue facing the Hartford-New Haven region?**



**Should a higher-speed commuter rail line be constructed to connect New York City to Boston (and points between)?**

## Workforce

The Hartford-New Haven-Springfield region has the second most densely clustered concentration of colleges and universities in the country. For the businesses we surveyed, this translates into an ability to recruit future workers (64% of businesses surveyed), hire interns (53%), train current employees (37%), gain access to expertise/consulting services (26%), technology transfer (18%), and R&D (15%).

When asked about the highest level of education for their new hires, more than half of respondents (53%) said most new employees had at least a four-year degree.

Given the still tepid state of the economy and the amount of surplus labor in the marketplace (U-6 unemployment over 12%), it is somewhat surprising that 76% of respondents report having trouble finding and retaining qualified workers. Fifty-eight percent say the main challenge is finding applicants with the necessary skills and education to do the job.

Businesses are most interested in employees with professional/soft skills, such as teamwork, leadership, punctuality, and work ethic (75% of respondents). Also important are job-specific technical skills (59% of respondents); basic math, reading, writing, and problem-solving (51%); and

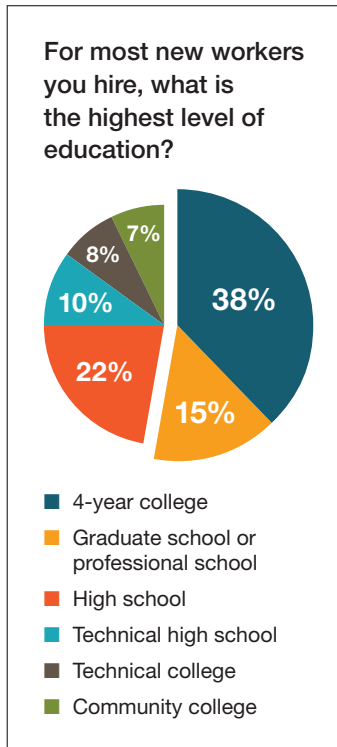


advanced skills, e.g., scientific, computer, engineering (36%). All of these numbers are up from our last survey, in 2013.

The Internet (39% of respondents) and employee referrals (33%) are seen as the most effective tools for finding new employees. Only 14% of businesses surveyed are aware of InternHere.com, a free online service that matches college interns with prospective employers.

Employers largely offer their employees flexible schedules (73%), and a third allow telecommuting. In companies that offer it, workers telecommute anywhere between two to three times a month (34%), weekly (20%), two to three days a week (17%), and daily (12%).

Sixty-one percent of respondents do not anticipate any retirements among their workers before the end of 2015.



Over the next five years, however, over a third (34%) anticipate losing more than 10% of their workforce.

While a number of companies have leadership succession plans (42%), invest in job training (27%), are stepping up recruitment (24%), and are focusing on older worker retention (16%), 32% acknowledge they have done nothing to prepare for the upcoming wave of retirements.

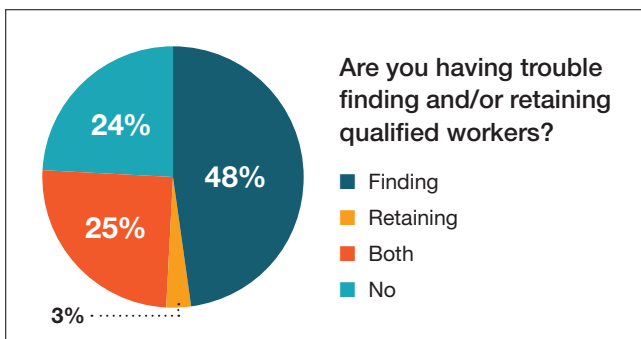
## Competition from Other States

Twenty-three percent of the businesses we surveyed have facilities outside the Hartford-New Haven-Springfield region,



**The 2015 survey results underscore a clear understanding that in order for the Knowledge Corridor to realize the full potential of a vibrant 21st century economy—one that’s strong, competitive, and resilient—it’s crucial that we build and maintain a web of connections that move people, freight, and data swiftly, safely, and reliably. A key takeaway for public- and private-sector leaders alike must be that there’s broad support for investing in modern, networked infrastructure systems, roads, rail, transit, terminals, and high-speed broadband that can move our shared interstate economy to its most desired destination—one of sustained prosperity.**

**Timothy W. Brennan** | Executive Director, Pioneer Valley Planning Commission; Chair, New England Knowledge Corridor Partnership Steering Committee

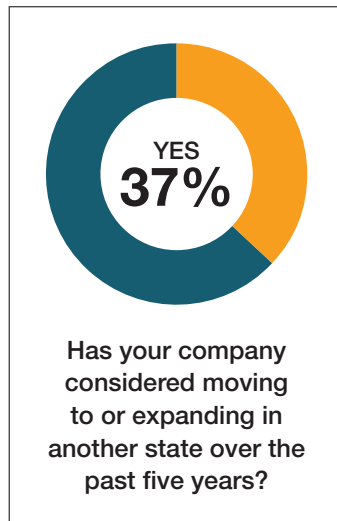
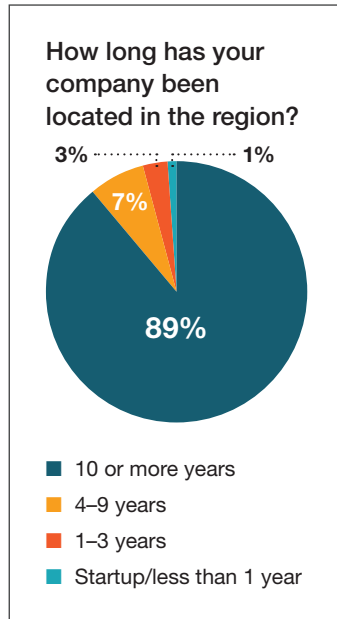


and in the past five years, 24% have been approached about relocating or expanding their business to other states.

The top five states trying to attract these businesses to their area are North Carolina (about half of the businesses contacted heard from this state, up from previous years), South Carolina (outreach by this state is up as well), New York (a new threat), Texas, and Florida.

Hartford-New Haven-Springfield businesses today are also more likely to consider relocating to other areas, with 37% pondering a move or expansion elsewhere (up from 31% in our last survey). Among those, favored destinations are Florida, North Carolina, South Carolina, New Hampshire, and Texas.

These considerations take on greater significance given that quality of life is



The Massachusetts-Connecticut region's highly educated and skilled workforce, quality of life, and history as a financial services hub make it highly desirable. We can further strengthen our regional economy by enhancing our talent pipeline and better leveraging the many colleges and universities in our knowledge corridor.

**Elaine Sarsynski** | Executive Vice President, Retirement Services and Worksite Insurance, Massachusetts Mutual Life Insurance

no longer the differentiator it once was, and Connecticut's recent two-billion-dollar tax hike<sup>2</sup> has small businesses and large corporations alike exploring more business-friendly locations.

## Conclusion

Challenges remain as the Hartford-New Haven-Springfield region continues on a path toward full economic recovery.

Bright signs include businesses' relative optimism about their own companies' performance, a high concentration of educational assets, and plans for expansion and greater engagement in foreign trade.

Concerns persist, however, over business costs, workforce issues, transportation/infrastructure challenges, and aggressive recruitment efforts of other states. Concerns about tax hikes and labor shortages, in particular, are mounting.

<sup>2</sup> At press time, Connecticut's legislature passed a state budget that included nearly \$2 billion in tax hikes, many of which were directed at businesses. A special session to work out details and possible modifications is scheduled to begin on June 29, 2015.

# ABOUT THE SURVEY

## Methodology & Demographics

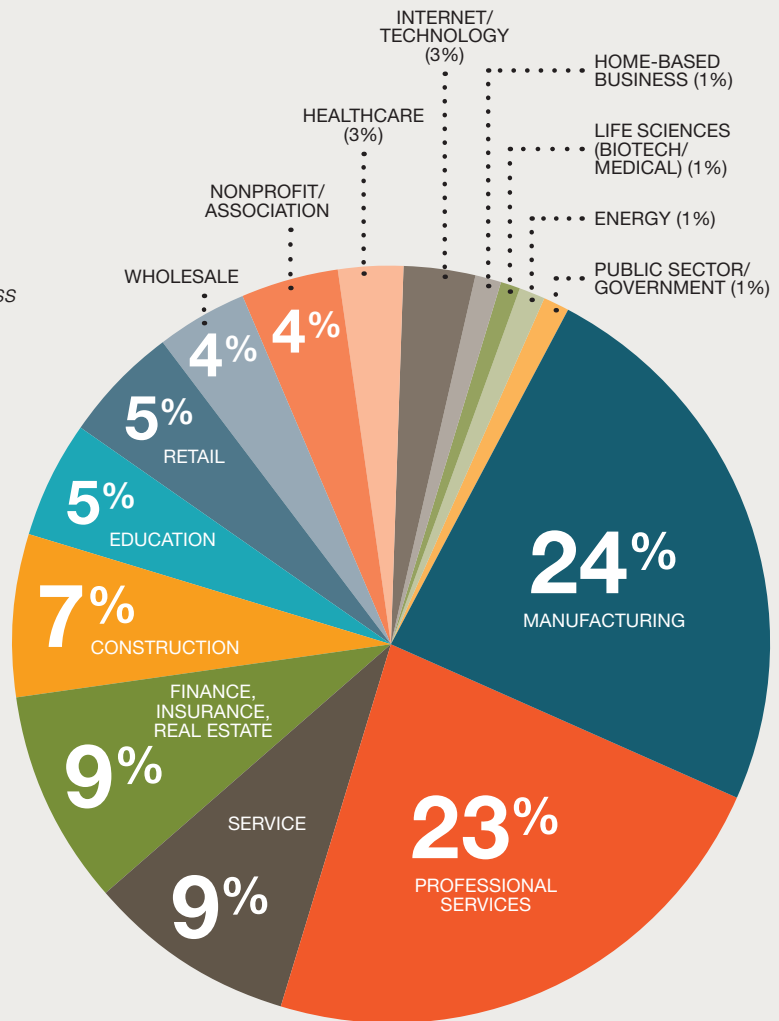
The 2015 Hartford-New Haven-Springfield Business Survey was emailed in April and May 2015 to businesses in New England's Knowledge Corridor—Hartford, Tolland, Middlesex, and New Haven counties in Connecticut, and Franklin, Hampden, and Hampshire counties in Massachusetts.

We received 408 responses, for a margin of error of +/-4.9%.

More than two-thirds of respondents (69%) are based in Connecticut. Twenty-two percent are located in Massachusetts, and 9% are located in both states.

Most respondents have been in business longer than 10 years and employ up to 100 people.

The main industries represented are manufacturing (24%), professional services (23%), service (9%), and finance, insurance, and real estate (9%).



INDUSTRIES REPRESENTED

# ABOUT THE SPONSORS

## Farmington Bank

Farmington Bank is a full-service community bank known for its personalized service and diversified consumer and commercial product offerings. The Bank has an array of services that allow customers to bank when and where they want, and also offers a suite of mortgages and home loans. Farmington Bank provides expertise, customized lending, and cash management solutions to businesses and municipalities of all sizes, and is a Preferred SBA Lender.



Established in 1851, Farmington Bank has branch offices located throughout central Connecticut and is expanding with additional branch offices opening in western Massachusetts in 2015. Farmington Bank is a wholly-owned subsidiary of First Connecticut Bancorp, Inc. (NASDAQ Global Select Market: FBK). Explore the many ways Farmington Bank can help you reach your financial goals.

**Visit [farmingtonbankct.com](http://farmingtonbankct.com) for details.**

## MassMutual

Founded in 1851, MassMutual is a leading mutual life insurance company that is run for the benefit of its members and participating policyowners. The company has a long history of financial strength and strong performance, and although dividends are not guaranteed, MassMutual has paid dividends to eligible participating policyowners consistently since the 1860s. With whole life insurance as its foundation, MassMutual provides products to help meet the financial needs of clients, such as life insurance, disability income insurance, long term care insurance, retirement/401(k) plan services, and annuities. In addition, the company's strong and growing network of financial professionals helps clients make good financial decisions for the long-term.



MassMutual Financial Group is a marketing name for Massachusetts Mutual Life Insurance Company (MassMutual) and its affiliated companies and sales representatives. MassMutual is headquartered in Springfield, Massachusetts and its major affiliates include: Babson Capital Management LLC; Baring Asset Management Limited; Cornerstone Real Estate Advisers LLC; The First Mercantile Trust Company; MassMutual International LLC; MML Investors Services, LLC, Member FINRA and SIPC; OppenheimerFunds, Inc.; and The MassMutual Trust Company, FSB.

**Visit [massmutual.com](http://massmutual.com).**

# SORS

## New England's Knowledge Corridor

New England's Knowledge Corridor is an interstate partnership of regional economic development, planning, business, tourism, and educational institutions that work together to advance the region's



economic progress. The region we promote transcends political boundaries. It comprises the Hartford, Springfield, and New Haven metro areas and is centered on seven counties, linked by a shared economy, history, and culture and by features including Bradley International Airport, rail lines, Interstate 91, and the Connecticut River. The group markets the region, emphasizing the area's rich history of innovation, invention, and world-class educational assets.

The group promotes the region through a variety of initiatives focused on business development, talent retention, advocacy, and research. The region's name, New England's Knowledge Corridor, underscores the area's rich tradition of inventions, research, and higher education.

**Visit [knowledgecorridor.org](http://knowledgecorridor.org).**

# ABOUT CBIA

## Connecticut Business & Industry Association

CBIA is Connecticut's leading business organization. Our public policy staff works with state government to help shape specific laws and regulations to support job creation and make Connecticut's business climate competitive. Our councils, committees, and roundtables give our members forums for influencing the legislative and regulatory processes.



CBIA is dedicated to improving Connecticut's economic competitiveness through the CT20x17 campaign. With the support of more than 84 leading business and professional organizations from across the state, CT20x17 is a broad-based, multiyear campaign aimed at moving Connecticut into the top 20 states for business by 2017. Learn more at [ct20x17.org](http://ct20x17.org).



One of CBIA's most important functions is to provide our members with information to help them better manage their businesses. We conduct training seminars, workshops, and conferences on environmental regulations, safety and health, human resources, compensation and benefits, taxes, energy, economic conditions, and healthcare. Our free telephone consulting service gives members access to our



experienced staff of professionals on a wide range of business topics.

Many CBIA members take advantage of our employee benefits plans, discount programs, and group purchasing opportunities. These include innovative health and dental insurance programs through CBIA Health Connections—CBIA's private-sector health insurance exchange—as well as other insurance lines, retirement plans, a COBRA continuation program, group energy purchasing, and member discounts on everything from packaging materials to background checks.

Learn more at [cbia.com](http://cbia.com).







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