

2017

**HARTFORD
NEW HAVEN
SPRINGFIELD
BUSINESS
SURVEY**

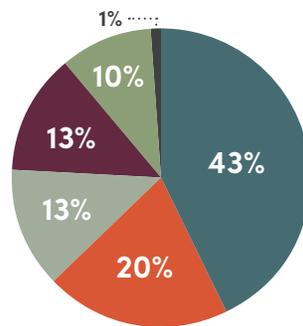
INTRODUCTION

The Greater Hartford, New Haven, and Springfield metropolitan areas represent one of the highest-potential economic growth regions in the nation.

Comprising Hartford, Tolland, New Haven, and Middlesex counties in Connecticut, and Franklin, Hampden, and Hampshire counties in Massachusetts, the region’s combined gross domestic product exceeded \$161 billion in 2016.

The region is the second largest population, education, and economic center in New England and the nation’s 20th biggest metro region, ranked ahead of Denver and St. Louis, with twice the population density.

Home to 64,000 businesses and 41 colleges and universities, it consistently ranks



What’s the greatest benefit of running a business in the region?

- Quality of life
- Proximity to customers
- Access to major markets
- Other
- Skilled workforce
- Access to capital

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 region also has the advantage of being a large and concentrated market, with a labor force of 1.3 million and ready access to consumers.

Since 2007, the New England Knowledge Corridor, the area’s

primary driver for economic development and

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competitiveness, has partnered with CBIA to survey regional companies every two years about their priorities and challenges, including workforce development, transportation, international trade, and business costs.

The 2017 survey represents the views of more than 400 executives from companies across the region.

Half of these companies have locations in Connecticut, 44% are in Massachusetts, and 6% have operations in both states.

Of the Connecticut-based companies, 43% are in Hartford County and 39% in New Haven County. Sixty percent of the Massachusetts-based companies are in Hampden County, while 33% operate in Hampshire County.

This year's results offer a modestly optimistic view of future business conditions in the region, while revealing that numerous challenges to the region's economy remain.

KEY FINDINGS

- ▶ The percentage of regional businesses reporting net profits is the highest since the recession hit in 2008.
- ▶ Quality of life remains the greatest benefit for managing a business in the region.
- ▶ Economic forecasts vary significantly by company outlook, the region, and the U.S., and for the short- and long-term.
- ▶ High taxes again represent the greatest barrier to growth, followed by economic uncertainty.

- ▶ The percentage of companies that consider the region's pool of skilled workers an asset declined, while the percentage who see the skills gap as a barrier to growth rose.
- ▶ Traffic congestion and an aging infrastructure are the most pressing transportation issues for the region.

ECONOMIC CONDITIONS, OUTLOOK

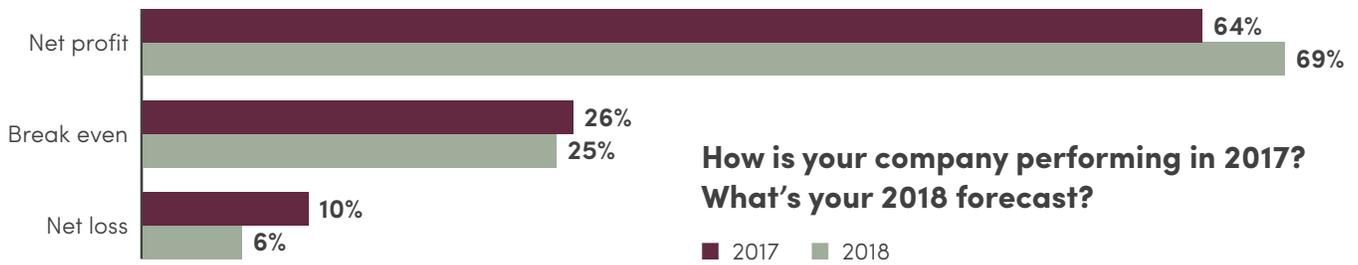
What are the greatest benefits to running a business in the region?

Quality of life is traditionally listed as the top benefit and this year is no exception, with 43% nominating that feature, up from 35% in our 2015 survey.

Proximity to customers, ranked first by 20% (down from 24% in 2015) and access to major markets (13%, down from 17%) were also seen as primary assets.

“ The survey results will help us understand how we can build and sustain economic viability in the Hartford-Springfield region. MassMutual looks forward to supporting the process and strategies necessary to ensure that the Knowledge Corridor remains a desirable place to live and work.

Dennis Duquette | Head of Community Responsibility and President of the MassMutual Foundation, MassMutual



However, just 10% cited the availability of a skilled workforce as a major benefit, down from 13%. As we detail below, businesses consider the lack of skilled workers as the third greatest barrier to growth.

Companies across the region are performing slightly better than they reported in our last survey, with 64% recording net profits (compared with 62%), while 26% broke even (22%), and 10% saw a net loss (16%).

The percentage of regional businesses recording a net profit is the highest since the recession hit in 2008.

Looking ahead, 69% expect a profitable year in 2018, 25% say they will break even, and 6% forecast losses for next year.

Forty-six percent expect economic conditions for their firms will improve in 2018, while 40% say conditions will remain stable and 14% had a pessimistic outlook.

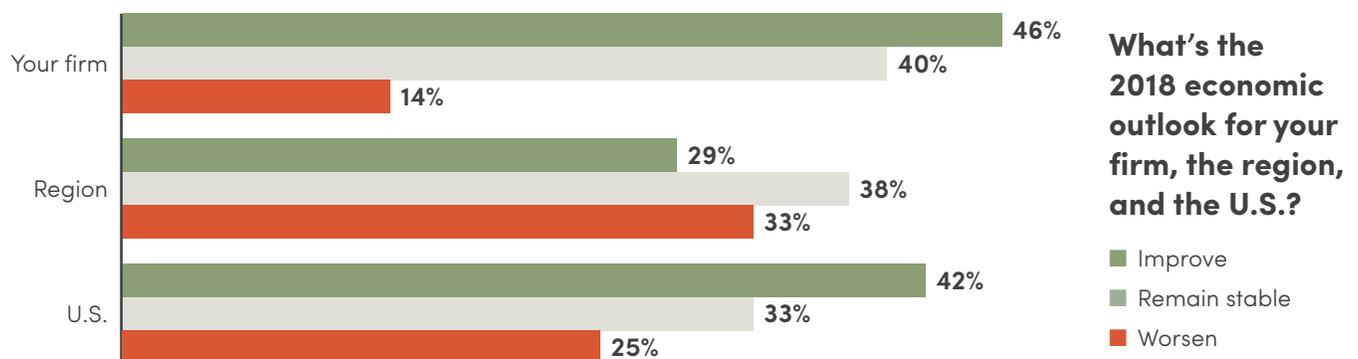
Short-term confidence in the U.S. economy is also relatively strong, with 42% expecting improved national conditions next year, while a third (33%) have a stable outlook and a quarter (25%) forecast a downturn.

That contrasts sharply with survey respondents' short-term outlook for the region.

Less than a third (29%) believe the region's economy will improve next year, with 38% forecasting stability and a third (33%) expecting worsening conditions.

Businesses are split about the regional outlook for the next five years. Forty-six percent are optimistic about the region's economy over that period, 44% are pessimistic, and 10% have no opinion.

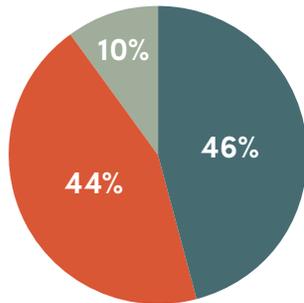
The Greater Hartford metropolitan area—at \$90 billion the largest economy of the corridor's three



metro areas—had no economic growth in 2016, a year after growing 4%.

The New Haven-Milford metro area’s economy grew 1.8% in 2016 after expanding 1.1% the previous year. The area contributed \$44.1 billion to Connecticut’s economy last year.

Springfield’s GDP grew 1.1% to \$27.3 billion in 2016 after growing 2.4% in 2015.



Are you optimistic or pessimistic about regional economic growth over the next five years?

■ Optimistic ■ Pessimistic ■ No opinion

Significant growth challenges remain for businesses operating in the NEKC region. High taxes were the main barrier to growth, cited by 28% of respondents. That’s down slightly from the 31% who nominated taxes in our last survey.

Weak economic conditions affect growth prospects for 24% of businesses (compared with 26% two years ago), 21% cited the shortage of skilled labor (18%), 9% nominated the regulatory climate (10%), and 7% said transportation infrastructure (6%).

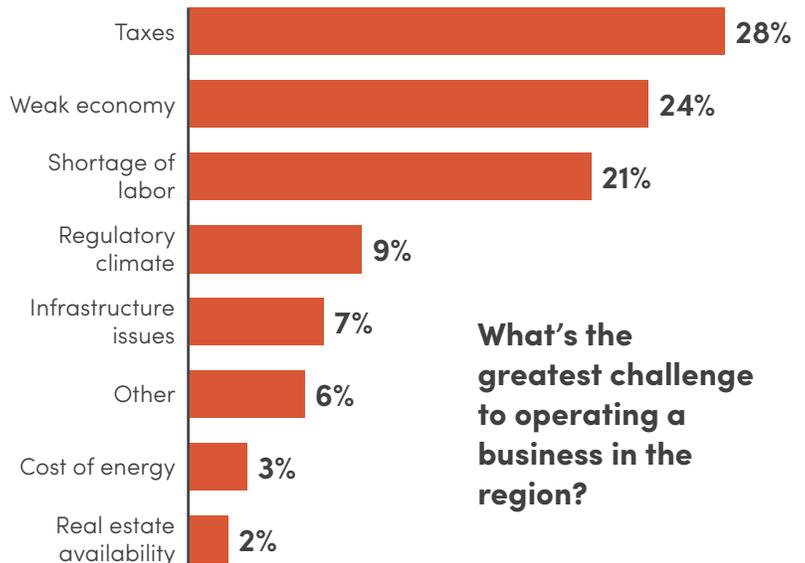
A continuing concern for growth in the region is the efforts of other states attempting to lure away area companies.

EXPANSION, GROWTH PROSPECTS

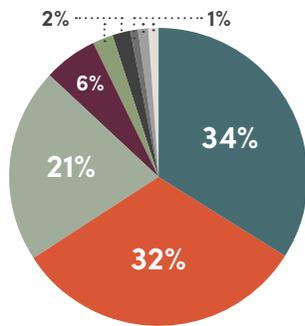
Thirty-one percent of businesses in the corridor plan on expanding their operations in the region within the next one to two years, while another 16% are uncertain about their expansion plans.

More than half (54%) have no plans to expand operations during that time.

Of those planning on expanding, 60% say they will increase their workforce, 46% will leverage direct marketing activities, 44% will use digital marketing campaigns, a third (33%) will expand facilities, a third (33%) plan capital investments, and 31% will undertake strategic alliances.



What’s the greatest challenge to operating a business in the region?



What's the single most pressing transportation issue facing the region?

- Poor infrastructure
- Traffic congestion
- Lack of mass transit options
- Other
- Lack of walkable/bikeable streets
- High cost of freight transportation
- High commuting cost
- Lack of connectivity to BDL
- Lack of connectivity to NYC & Boston

Twenty-eight percent of survey respondents said they considered expanding or moving to another state over the past five years. Fifteen percent reported being approached by other states about relocating or expanding.

North Carolina, South Carolina, Florida, Texas and Alabama are the most aggressive suitors making overtures to regional businesses.

On the bright side, efforts by neighboring New York and New Hampshire—which represent a clear and present danger in terms of comparable quality of life and location—are considerably down from previous surveys.

More regional businesses plan sales expansions into international markets by the year 2022.

While only 28% currently export their products and services, over one-third (34%) of survey respondents say they will leverage international markets in the next five years.

For those companies currently engaged in international trade, 40% report that exports make up more than 10% of their total sales, with that number rising to 53% in five years.

TRANSPORTATION

Two-thirds (66%) of the I-91 corridor's business leaders say traffic congestion and poor and deteriorating infrastructure are the most pressing transportation issues facing the region. Twenty-one percent cited the lack of mass transit options.

Both findings were unchanged from our last survey in 2015.

Significantly, 71% report that employees use their own car to commute to work. Other top commuting options include walking or biking (9%), public bus (8%), carpools (6%), and telecommuting (5%).

“ For the Knowledge Corridor to remain competitive, it must continually strive to expand its transportation connections and choices. This high-end mobility strategy is also essential for attracting and retaining a talented, nimble, and productive workforce.

Tim Brennan | Executive Director, Pioneer Valley Planning Commission

“ The anticipated near-term retirements and issues around a talented workforce deserve focus, especially in the light of demographic trends in the region and New England.

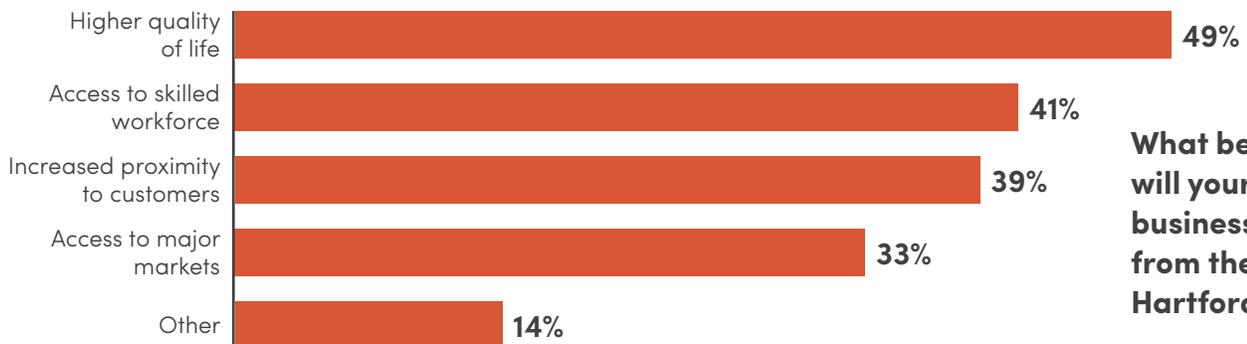
Michael Moore | Vice Chancellor for Research & Engagement, University of Massachusetts Amherst

No respondents say their workers commute by train.

Commuter rail service between New Haven and Springfield will launch in May 2018. The 62-mile Hartford Line is expected to provide 17 daily weekday round trips between New Haven and Hartford, with 12 trains continuing to Springfield. There will be slightly fewer weekend trips.

Twenty-two percent of those surveyed said they or their employees will use the Hartford Line once it begins service, 53% will not use it, and 25% were uncertain.

What are the expected benefits of the new line?



What benefits will your business get from the new Hartford Line?

An improved quality of life was the top benefit, cited by 49% of businesses, followed by access to skilled workers (41%), increased proximity to customers (39%) and access to major markets (33%).

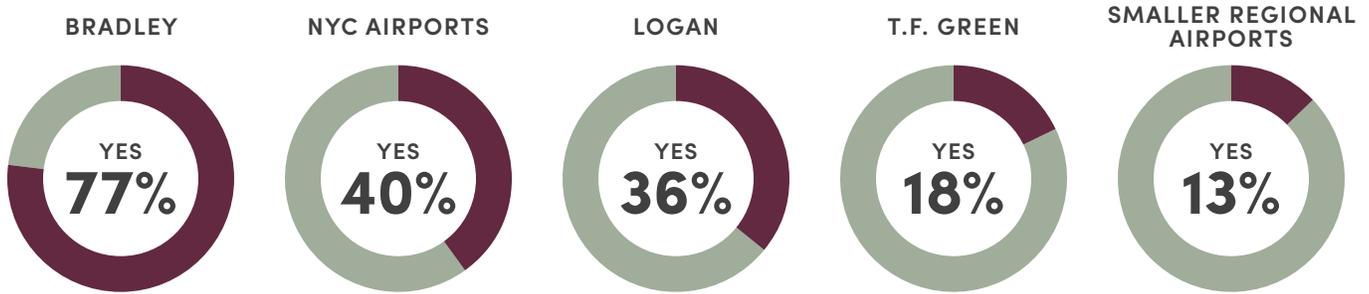
An overwhelming 90% of business leaders say expanding commuter rail service between Boston and Springfield will benefit their business, while 91% believe it will positively impact the region’s economy.

The Massachusetts legislature is considering legislation that funds a study exploring the feasibility of developing high-speed, east-west passenger rail service.

Bradley International Airport in Windsor Locks, Connecticut, is an essential component of the region’s transportation infrastructure.

Just over three-quarters (77%) of survey respondents say they use Bradley. That compares with the 40% who fly out of out of New York City airports and the 36% who use Boston Logan International Airport. T.F Green Airport in Providence draws 18% and other smaller regional airports attract 13%.

For those who fly more than six times annually, Bradley is the choice for 42%, followed by small



What airports do you use?

regional airports (36%), Logan (30%), New York City (29%), and T.F. Green (17%).

Thirty percent say they have flown on one or more of the nonstop flights Bradley added over the last 12 months to Ireland, Scotland, two Florida cities (Orlando and Fort Lauderdale), San Francisco, Los Angeles, and Myrtle Beach, South Carolina.

How can Bradley drive greater business use of the airport?

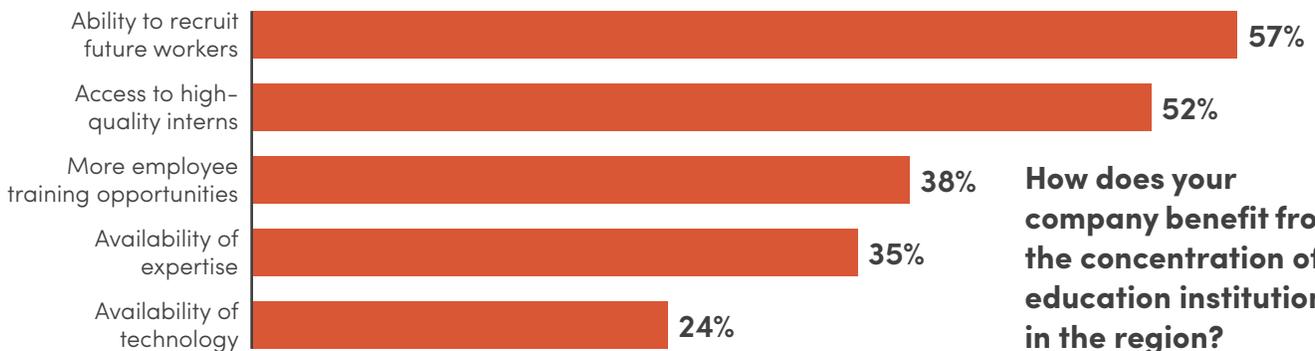
Sixty-one percent want more direct flights to major domestic destinations (particularly Seattle), 34% called for cheaper fares, and 21% are looking for expanded international nonstop service, mainly to London and Paris.

WORKFORCE DEVELOPMENT

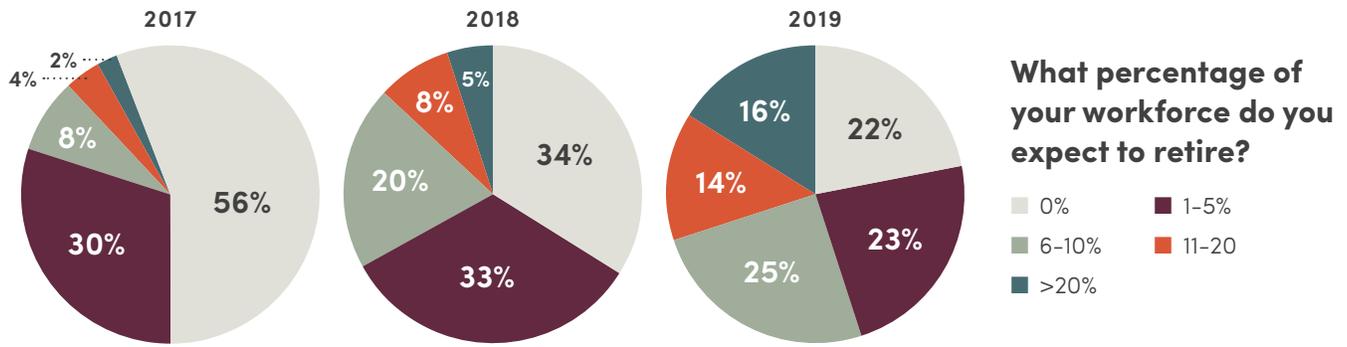
One of the region’s major assets is the cluster of higher education institutions—the second highest concentration in the country.

The region’s businesses leverage that clustering, with the following main benefits: recruiting (57%), filling internships (52%), additional employee training opportunities (38%), the availability of expertise (35%), and technology transfer (24%).

Fifty percent hire workers from area institutions—with 71% describing their campus recruiting campaigns as successful—and 48% offer internships to local students.



How does your company benefit from the concentration of education institutions in the region?



Survey respondents report that the highest level of education represented by their workforce is college (36%), high school (37%), graduate school (17%), community college (7%), or technical college (4%).

There are many new or additional beneficial programs and services business leaders said institutions should offer, including co-op internship programs, STEM programs, career fairs, professional workshops, and finance/economics programs.

Finding and retaining qualified workers is an

increasingly difficult challenge for businesses in the I-91 corridor.

While more than half (56%) of respondents do not expect any retirements this year, 78% will be addressing the challenge of replacing retiring workers by the end of 2019.

One-third (33%) expect to lose up to 5% of their workforce by the end of next year. Another 28% say between 6% and 20% of workers will retire over the same period, jumping to 39% by the end of 2019.

As noted earlier in this report, finding skilled workers is the third biggest factor hampering growth for area businesses.

Thirty-four percent experience difficulties both finding and retaining young workers, 20% have trouble just finding them, while retention alone is an issue for 9%.

The top three challenges for finding younger workers are lack of skills or education (cited by 45%), competition from other area firms offering higher wages and/or better benefits (18%), and the overall cost of living in the region (14%).

Soft skills (punctuality, interpersonal, teamwork, work ethic) are the main skills businesses need from new

“ Let’s address next generation workforce issues head on. Retirements will continue to mount, and high-skill employers need a longer lead time to find and develop skilled workers. Thirty percent of our future workforce is coming from urban cores and we must include those areas in workforce development efforts.

Lyle Wray | Executive Director, Capitol Region Council of Governments

employees (39%), with 23% citing technical skills; 19% basic abilities such as math, reading, writing, and problem-solving; and 14% want advanced scientific, engineering, and technical skills.

In terms of the challenges hampering the retention of younger workers, 36% of businesses cite competition from other area firms, 13% point to a lack of opportunities for advancement, 13% say lack of skills, and 11% point to the region's high cost of living.

Most of our respondents (55%) are family businesses. However, only 35% have a written succession plan, with another 10% unsure of their succession plan. Given the pace of retirements over the next three years, this is another issue firms must address.

CONCLUSION

Many challenges remain in the Hartford-New Haven-Springfield region as it continues toward full economic recovery.

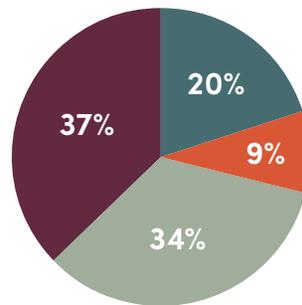
There are a number of positive signs, including businesses' relative optimism about their own firms, the number of companies planning expansion, the high concentration of area educational assets, and the progress on upgrading transportation options.

Nonetheless, there are familiar and growing concerns over excessive costs, workforce issues, transportation

and infrastructure challenges, and the continued aggressive recruitment efforts of other states, particularly from the south.

Overall, the region has numerous strengths and assets.

Leveraging those strengths requires concerted and coordinated efforts from the private sector to drive greater recognition among lawmakers about the area's challenges, and to secure their commitment to maximize and retain economic vitality in the region.



Do you have trouble finding and/or retaining young workers?

- Finding only
- Retaining only
- Both
- Neither

“Leveraging the region’s strengths requires concerted, coordinated efforts from the private sector to drive greater recognition among lawmakers about the area’s challenges and secure their commitment to maximize economic vitality.”

Pete Gioia | Vice President & Economist, CBIA

ABOUT THE SURVEY

METHODOLOGY & DEMOGRAPHICS

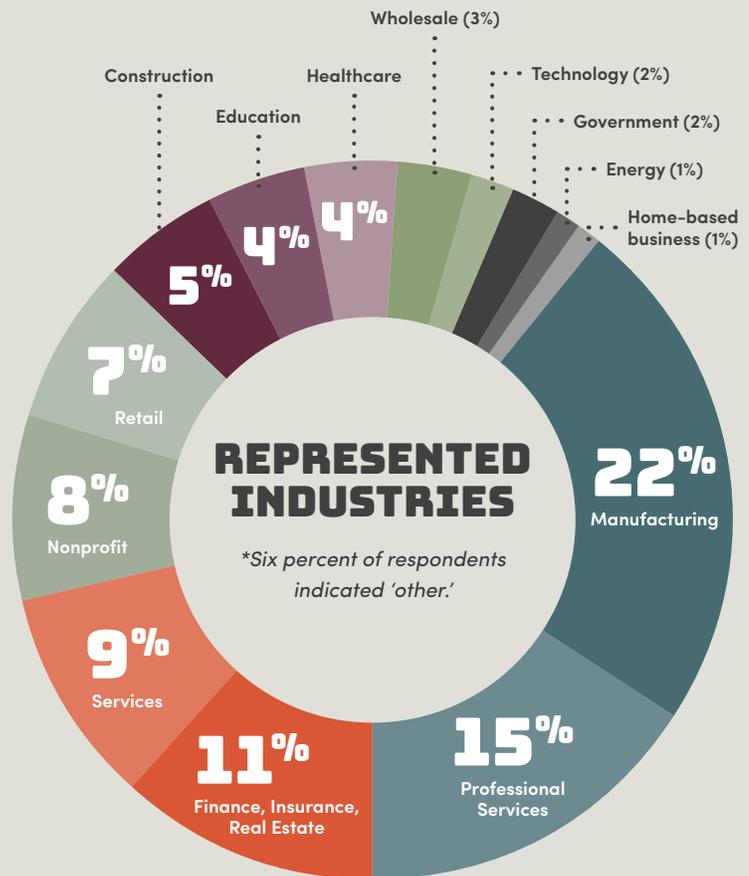
The 2017 Hartford-New Haven-Springfield Business Survey was mailed and emailed in August 2017 to business leaders in New England’s Knowledge Corridor—Hartford, Tolland, Middlesex, and New Haven counties in Connecticut, and Franklin, Hampden, and Hampshire counties in Massachusetts.

We received 440 responses, for a margin of error of +/-1.7%.*

Half of all respondents (50%) are based in Connecticut, 44% are in Massachusetts, and 6% have operations in both states.

Surveyed businesses have been in operation an average 48 years and employ an average 264 workers.

The main industry sectors represented in this survey are manufacturing (22%), professional services (15%), finance, insurance, and real estate (11%), and service industries (9%).



*All figures are rounded to the nearest whole number and may not total exactly 100%.

ABOUT THE SPONSORS

NEKC

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

MASSMUTUAL

Founded in 1851,
MassMutual is a leading
mutual life insurance company that is run for the benefit
of its members and participating policy owners.



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 policy owners consistently since the 1860s.

MassMutual offers a wide range of financial products and services, including life insurance, disability income insurance, long term care insurance, annuities, retirement plans and other employee benefits

In addition, the company's strong and growing network of financial professionals helps clients make good financial decisions for the long-term.

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

ABOUT CBIA

The Connecticut Business & Industry Association is the leading voice of business in the state, representing thousands of member companies, small and large, across a diverse range of industries.



We fight to make Connecticut a top state for business, jobs, and economic growth: driving change, shaping legislative and regulatory policy, and promoting collaboration between the private and public sectors.

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Powerful, dynamic leadership and advocacy at the State Capitol, driving policies that promote a globally competitive business climate.

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