



2018
**SURVEY OF
NORTHWEST
CONNECTICUT
BUSINESSES**





INTRODUCTION

Over 150 companies responded to the Northwest Connecticut Chamber of Commerce and CBIA's sixth biennial survey of regional businesses.

Those companies represent a wide range of businesses and nonprofits in both size and industry sectors. They reported on company performance, regional issues, the near-term outlook, the economy, workforce, and growth prospects and challenges.

Many of the concerns shared by Northwest business leaders are also reflected in CBIA's statewide surveys. However, certain challenges, including maintaining and growing the region's manufacturing base, finding skilled workers, and attracting and retaining young workers appear more acute in the region.

TOP PRIORITIES

This year's survey reveals that maintaining and improving the area's manufacturing base is the region's top economic priority, cited by 32% of respondents.

Two years ago, that issue ranked second as a priority, behind the need for greater regional collaboration among private sector, nonprofit, and public sector organizations.

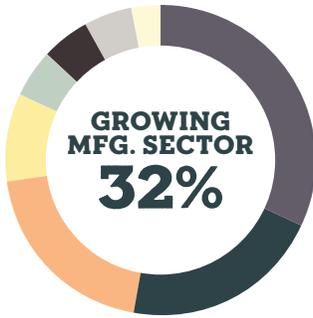
Retaining young workers is the second main priority, cited by 21% of respondents, while 20% said regional collaboration as a means of attracting greater business investment was their top issue.

“ The survey provides valuable data which will assist in developing key focus areas for our state and our region. Connecticut's future economic growth is contingent on lowering business costs, which will help promote growth and incent our young workforce to stay in our region.

John Janco | President & CEO, Torrington Savings Bank

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What is the top economic priority for Northwest Connecticut?

- Growing manufacturing sector (32%)
- Retaining young workers (21%)
- Regional collaboration (20%)
- Other (9%)
- Growing tourism industry (5%)
- Improving transportation infrastructure (5%)
- Regionalize municipal services (5%)
- Affordable housing (3%)

Other economic priorities included improving transportation infrastructure (5%), regionalizing municipal services (5%), growing the region’s tourism industry (5%), and more affordable housing (3%).

We also asked business leaders what the top priority should be for Connecticut’s next governor and General Assembly.

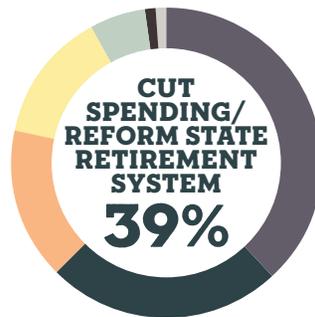
Thirty-nine percent said cutting government spending and reforming the state employee retirement system should be the primary focus for the new administration and legislature.

Balancing the state budget and fiscal stability was cited by 25% of those surveyed, followed by economic growth and improving the state’s business climate (16%), lower taxes (14%), education (1%), and transportation (1%).

ECONOMIC OUTLOOK

The U.S. economy is performing well, with record low unemployment and

strong GDP growth over several quarters among the leading indicators.



What should be the top priority for Connecticut’s new governor and General Assembly?

- Cut spending/reform state employee retirement system (39%)
- Budget/fiscal stability (25%)
- Economy/business climate (16%)
- Lower taxes (14%)
- Other (6%)
- Education (1%)
- Transportation (1%)

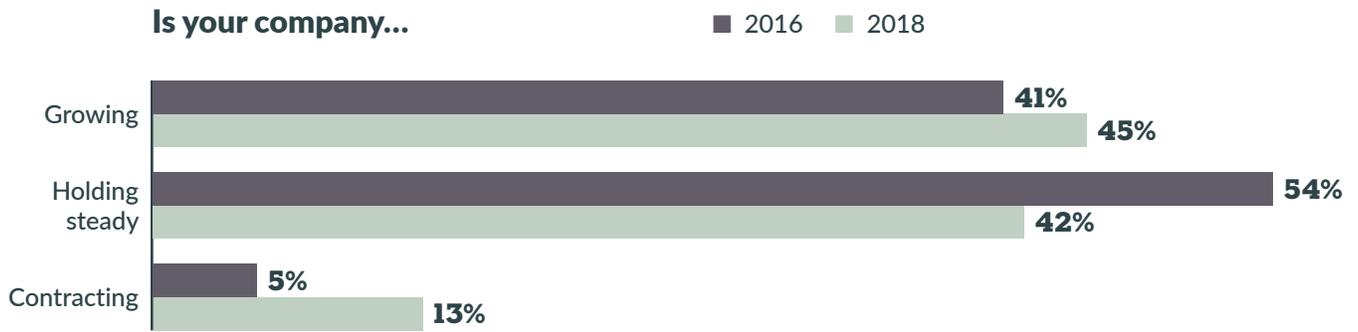
Connecticut’s performance is more muted. The state’s GDP contracted 0.2% in 2017 and the economy has grown in only one of the last five years.

Job growth also continues to lag—eight-plus years after the end of the recession, the state has recovered only 90% of lost jobs, with private sector recovery at 114%. The unemployment rate remains the highest of the New England states and above the national average.

While there are positive economic signs in Northwest Connecticut, overall the region largely mirrors what’s happening across the state.

Forty-five percent of Northwest Connecticut businesses report growth, up four percentage points from the 2016 survey.

The number of businesses who say they are holding steady fell 12 points



“ The Northwest corridor is aging and the incentives to leave Connecticut are increasing. We need to develop a leadership academy made up of young leaders from various communities that have a passion to make Connecticut a great place to live again. It is time to turn back the clock.

Stephen Glick | President & Administrator, Chamber Insurance Trust

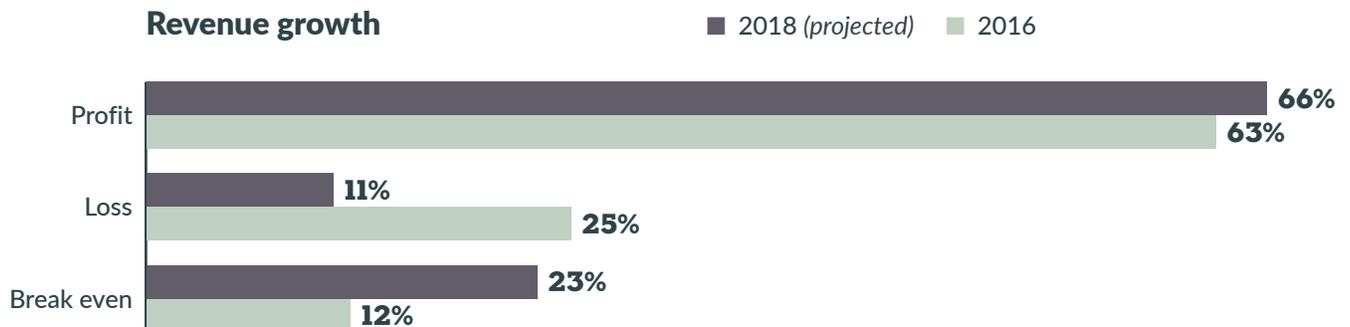
from 2016 to 42%, while 13% report declining growth, up eight points from our last survey.

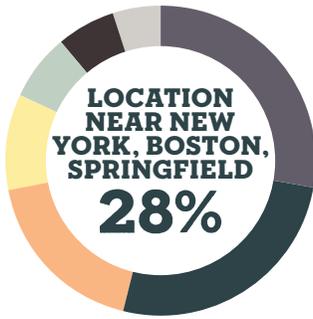
Two-thirds of companies (66%) expect to turn a profit in 2018, up three points from 2016. The percentage of businesses expecting a loss this year fell 14 points from the last survey to 11%, while 23% expect to break even, up 11 points.

ADVANTAGES, CHALLENGES

What is Northwest Connecticut's greatest strength?

For 28% of survey respondents, it's location. As in previous surveys, the region's proximity to New York, Boston, and Springfield ranks as the primary asset for businesses.





What is the region's greatest strength?

- Location near New York, Boston, Springfield (28%)
- Environment (26%)
- Other (18%)
- North-south highways (10%)
- Active local banks (7%)
- Supportive chambers (6%)
- Arts, culture (5%)

Other regional strengths included the environment (26%), north-south highways (10%), active local banks (7%), a supportive chamber of commerce (6%), and the region's arts, culture, and entertainment attractions (5%).

And the weaknesses?

As in 2016, regional businesses' inability to retain young workers is the area's greatest weakness, cited by 35% of survey respondents. That's closely followed by the region's aging workforce, listed as the main challenge by 31% of business leaders.

Taxes and the state's business climate also remain significant concerns, identified by 11% as a primary weakness hampering growth.



What is the region's greatest weakness?

- Inability to retain young workers (35%)
- Aging workforce (31%)
- Taxes, business climate (11%)
- Other (7%)
- Lack of east-west highways (6%)
- Lack of coordinated/integrated marketing (6%)
- Lack of broadband access (4%)

When asked what taxes and fees concern them the most, 26% cited the personal income tax, reflecting the number of regional businesses that are organized as pass-through entities. Twenty-one percent said overall business fees and penalties, followed by property taxes (19%) and sales taxes (2%).

Other challenges include the region's lack of east-west highways (6%), the absence of regional coordinated or integrated marketing (6%), and inadequate broadband access (4%).

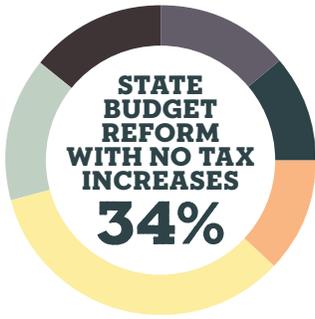
DRIVING ECONOMIC GROWTH

This year's survey reveals real long-term trends in factors hampering Northwest Connecticut's economic growth. Some are driven by poor state fiscal policy, others show lack of comprehensive planning and efforts to tackle key issues like workforce development.

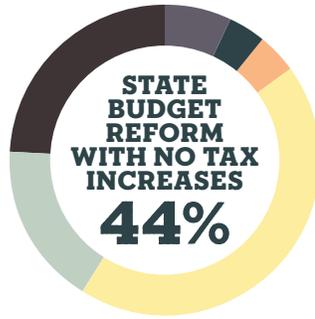
Improving confidence—that is, developing a climate that will attract much-needed investment—and lowering business costs are the keys for driving economic growth in both the region and the state.

Just over one-third (34%) of regional business leaders identified state budget reforms—without more tax hikes—as the main factor that will drive growth in the region. That compares with 44% of business leaders across the state who cited the same factor in CBIA's 2018 Survey of Connecticut Businesses, released in September.

Northwest Connecticut



Connecticut



What will drive regional, statewide economic growth?

- Job creation incentives (14%, 7%)
- Transportation investments (11%, 4%)
- Economic development investments (12%, 4%)
- State budget reform with no tax increases (34%, 44%)
- Reduced business taxes, regulations (15%, 24%)
- Reduction in sales, personal income taxes (14%, 17%)

Other factors for driving regional growth include reduced business taxes and regulations (15%), lower taxes (15%), job creation incentives (14%), economic development investment (12%), and transportation improvements (11%).

“Do anything to reduce the cost of doing business in Connecticut,” responded one Northwest Connecticut business leader.

“Reduce the burden state and local governments place on businesses,” said another. “Overregulation and government inefficiency is at least 75% of the problem.”

We asked business leaders where they are making their greatest investment.

Given the region’s ongoing workforce development challenges, it was not surprising that most are directing their investment dollars into employee training (17%) or recruiting skilled workers (9%).

Twenty-one percent are making their primary investment in property and facilities, followed by new technology (18%), employee training (17%), research and development (11%), and other capital assets (10%).



Where is your company making its greatest investment?

- Property/facilities (21%)
- New technology (18%)
- Employee training (17%)
- Other (13%)
- Research & development (11%)
- Other capital assets (10%)
- Recruiting qualified workers (9%)

Regional businesses emphasize marketing as a critical sales development tool. Over 42% leverage Northwest Chamber or other local chamber resources to help market their firms, with other groups, including CBIA (7%), Northwestern Connecticut Community College (5%), and the Connecticut Realtors Association (5%) also playing roles.

Transportation issues are very specific to Northwest Connecticut.

Eighteen percent of respondents lament the region’s lack of east-west highways, while 15% identify the lack of affordable public transit as the area’s major transportation issue.

Insufficient MetroNorth service (14%), inefficient traffic controls (17%), lack

of pedestrian and bicycle paths (9%), and expensive parking round out the list of transportation concerns.

Out-of-state economic development poachers still have Connecticut on their radar. Fourteen percent of surveyed businesses report recent approaches from other states, 15% have considered moving their business, and 2% are planning to move out-of-state.

WORKFORCE DEVELOPMENT

Thousands of skilled jobs, particularly in the state's surging manufacturing sector, remain unfilled in Connecticut. Filling those positions is crucial to stimulating solid economic growth.

Northwest businesses are hiring but face a number of challenges in attracting and retaining skilled workers.

This year, 29% of businesses say their workforce is growing, up four points from 2016. The percentage of companies with unchanged employment levels remains at 63%, while 8% report declining employment, down from 12% two years ago.

A conundrum for the region is that while there is huge concern about young workers leaving for other opportunities, job demand is high.

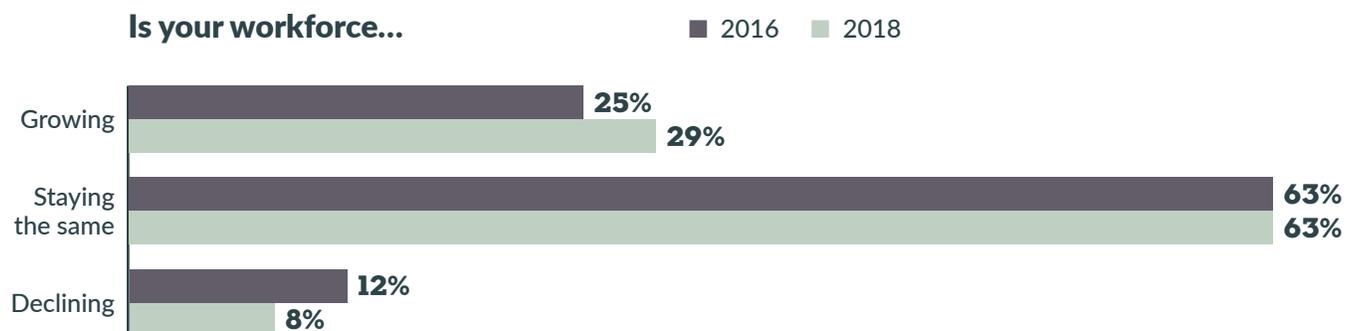
Forty percent of area businesses say their biggest workforce problem is finding suitable applicants for open positions (40%). Eighteen percent cite unprepared applicants or applicants who fail pre-employment screenings, while 17% note an inability to meet candidates' salary and compensation expectations.

Respondents are generally satisfied with the overall quality of job applicants. Thirty-nine percent say they are satisfied, with 16% dissatisfied.

While that relatively elevated level of dissatisfaction is a concern, only about one-third of firms work with technical high schools or community colleges on recruitment efforts, with 9% planning future collaboration.

In addition, retirements are a looming concern. Only 3% of the regional workforce is expected to retire this year and another 3% next year. However, over the next five years, firms expect 11% of workers on average to retire—a sobering statistic considering recruitment challenges.

Better news is that over half of respondents (54%) are satisfied with the quality of their younger workers, though 23% are not.



“ NRWIB continues to convene and coordinate aggressive industry-driven partnerships with the goal of assuring that a skilled and ready workforce is available for those sectors that drive Northwestern Connecticut’s economy.

Catherine Awwad | Executive Director,
Northwest Regional Workforce Investment
Board

Companies see difficulties in finding (22%), retaining (7%), and both finding and retaining young workers (56%). Over half of firms feel pressured to increase wages, benefits, or both to address this concern.

When asked why it’s difficult to find young workers, most cited the state’s high cost of living or competition from other employers, particularly with wages and benefits.

Other responses varied greatly from an inadequate applicant pool, young people not pursuing technical education opportunities, lack of work ethic, and not wanting to live in the area.

Three quarters of our respondents are taking action to attract and retain young workers.

Key initiatives include adding employee engagement and recognition programs (28%), providing flexible work schedules (25%), offering tuition reimbursement (18%), and adding flexible time-off policies (17%).

Workforce challenges have not improved since the last survey, with the same issues cited in 2016 reflected in this survey. This is a multifaceted and deep-rooted problem. It requires a major coordinated and collaborative approach featuring educational institutions, businesses, associations, and job training groups.

CONCLUSIONS

Workforce challenges, the high cost of living, and high business costs are not unique to Northwest Connecticut. However, the region’s rural nature and distance from the state Capitol exacerbate those concerns.

Leadership in the Northwest needs to develop a series of aggressive plans to:

- ▶ Let policymakers in Hartford know they must act to stabilize the state’s fiscal situation and lower costs for business and residents
- ▶ Work with all area elected officials to help communicate these needs, in one voice, to Hartford
- ▶ Organize all appropriate sectors to solve workforce needs collaboratively
- ▶ Develop a comprehensive plan to develop and retain young workers, including creating greater awareness of job opportunities
- ▶ Reach out to young people to better determine their needs, desires, concerns, and aspirations to promote Northwest Connecticut as a great place to live, work, and raise a family

ABOUT THE SURVEY

METHODOLOGY & DEMOGRAPHICS

Survey questionnaires were mailed and emailed in September and October 2018 to 1,673 businesses throughout Northwest Connecticut.

We received 155 responses, for a response rate of 7.9% and a margin of error of +/-8.7%.

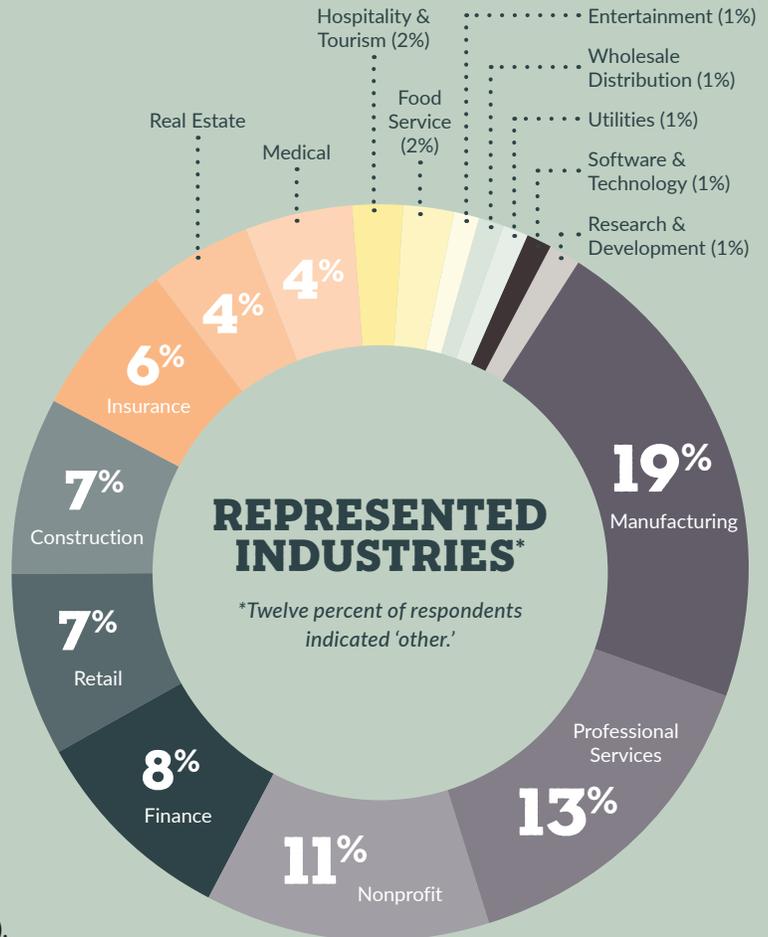
The majority of surveyed companies (88%) have their primary production facilities in Northwestern Connecticut, with 5% based elsewhere in the state, 4% in the U.S., and 3% outside the country.

Surveyed firms have been in business an average 49 years, with three industry sectors representing the largest share of respondents: manufacturing (19%); finance, insurance, and real estate (18%); and professional services (13%).

Other represented industries include nonprofit (11%), construction (7%), retail (7%), medical (4%), hospitality and tourism (2%), and food service (2%).

Fifteen percent of surveyed companies are privately held, 4% are publicly held, 18% are incorporated, 18% are S corporations, 8% are LLCs, and 21% are family-owned.

Five percent are women-owned businesses, 5% are veteran-owned, and 2% are foreign-owned.



The survey was made possible through the generous support of the Chamber Insurance Trust, the Northwest Regional Workforce Investment Board, Pequot Health Care, and Torrington Savings Bank, with additional support from BantamWesson, Conquest, Dymax, Litchfield Bancorp, Northwest Community Bank, O&G Industries, and Sharon Hospital.

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

ABOUT THE SPONSORS

CHAMBER INSURANCE TRUST

After observing the need for cost-effective benefit solutions for the local business community, the Chamber Insurance Trust was founded in 1992.

Created to bring the combined buying power of thousands of chamber members, CIT's complete range of insurance options are designed with the input from local chamber of commerce executives and members to offer small, mid-sized, and large businesses competitively-priced benefit packages.

Currently CIT is a voluntary alliance of all participating chambers of commerce across Connecticut and Western Massachusetts.

Chamber Insurance Trust has distinguished itself as a trusted expert, provider, and educator on benefit solutions. Our mission is to provide consulting and education to the chamber community inclusive of agents, employers, and employees on how to confront the rising cost of healthcare.

Visit citrust.com

NORTHWEST REGIONAL WORKFORCE INVESTMENT BOARD

The Northwest Regional Workforce Investment Board is the administrative entity that oversees and administers WIOA and CT-DOL funded programs in the Northwest Region Service Delivery Area.

It was established by the governor to promote effective delivery of job training services throughout the region that includes 41 municipalities. Developing and maintaining a high quality workforce is critical to attracting and retaining business in Connecticut.

It is the charge of NRWIB to develop and sustain an effective labor market system that facilitates economic development and business growth in our region.

NRWIB's workforce system is user-friendly and highly responsive to the needs of both the job seeker and the employer. NRWIB holds partnerships with local businesses, government, education, labor, and human services agencies, which all work together to provide the delivery of workforce development services.

Three American Job Centers are conveniently located throughout the Northwest Connecticut region in Waterbury, Torrington, and Danbury.

Visit nrwib.org

ABOUT THE SPONSORS

PEQUOT HEALTH CARE

Pequot Health Care is a wholly-owned entity of the Mashantucket Pequot Tribal Nation, long recognized as a leader in managing healthcare plans for business enterprises throughout the United States.

Founded in 1991, Pequot Health Care began as a pharmacy service to treat tribal members and employees of the Mashantucket Pequot Tribal Nation which, among other entities, includes employees of Foxwoods Resort Casino.

Our services now include Pequot Plus Health Benefit Services, our Third Party Administration division, and Pequot Pharmaceutical Network® (PRxN®), our mail service and pharmacy benefit management division, all located on the Mashantucket Pequot Tribal Nation Reservation.

Pequot Health Care has expanded to provide the same level of comprehensive health plan and prescription management to other self-funded enterprises. This ability to assist in managing both the medical and pharmacy benefits allows Pequot Health Care to help clients effectively administer their healthcare costs.

Pequot Health Care provides TPA services to self-funded employers for medical, dental, vision, and pharmacy benefit services additionally providing flexible spending accounts, health savings accounts, and COBRA administration. Our state-of-the-art technology and highly experienced staff combine to offer the perfect combination to administer your health benefit plan. We pride ourselves on exceptional medical claim and prescription processing turnaround times and superb customer service response protocols.

Pequot Plus coordinates with both national and regional provider networks that allow our clients access to the best care and service in their local area. Hospitals, physicians, dental, behavioral health, and ancillary provider networks are all available.

Visit pequothealthcare.com

TORRINGTON SAVINGS BANK

Torrington Savings Bank was chartered in 1868 as a mutual savings bank. We take pride in our mutuality as it allows us to operate for and in the interests of our depositors. Because we are not organized as a stock bank and do not have shareholders, we can focus on serving our customers and communities.

Through a team of engaged and knowledgeable employees, we are committed to providing quality products and services to meet the financial needs of the individuals, families, and businesses in our communities.

We aspire to be the recognized leader in supporting and strengthening the financial well-being of our customers and communities.

CORE VALUES

- ▶ **Safety & Soundness.** Ensuring the safety and soundness of our customers' deposits and information.
- ▶ **Customer Service.** Delivering superior customer service is at the heart of everything we do. We work proactively to anticipate and meet customer needs and to build lasting relationships.
- ▶ **Community.** We demonstrate our commitment to the communities we serve through our active participation in and financial support of a diverse array of organizations and activities.
- ▶ **Integrity.** We act honestly, ethically, and professionally in all our dealings.
- ▶ **Teamwork.** Our employees are key to delivering on our mission. We promote a positive work experience and culture of teamwork to achieve common goals.

Visit torringtonsavings.com

BANTAMWESSON

BantamWesson is a fuel delivery, energy efficiency, and home services company with offices in Waterbury, Bantam, and Canton.

It employs 130 people and serves over 15,000 customers throughout 52 Connecticut towns.

Behind every BantamWesson customer is a team of experts ready to help with fuel delivery, heating and cooling equipment, energy efficiency solutions, generators, plumbing, electrical services, windows, and insulation.

No matter what your home needs, we've got you covered.

Visit bantamwesson.com

ABOUT THE SPONSORS

CONQUEST

Creativity. Marketing. Technology.

Clients have relied on Conquest for decades. Our long-standing reputation for servicing digital components and understanding very specific industry marketing needs is unparalleled. But it doesn't stop there.

Nearly all of today's successful marketing has some digital component and that transition grows more every day. Technology is our native language and you need a marketing company that speaks tech better than their competition.

A digital presence is only one part of the picture. Many of our clients come to us without a marketing plan in place, which is like throwing a great party and not inviting anyone. That's why we unify creative marketing and technology initiatives with the highest caliber of talent to create a full-service marketing menu for clients.

Conquest provides cost-effective, cutting edge marketing solutions with our signature technology-driven advantage. We are your trusted marketing consultants, with over 20 years of experience in both the digital world and beyond.

Visit conquestsolutions.com

DYMAX

Dymax Corporation was founded in 1980, and today, is a leading manufacturer of advanced light-curable adhesives, coatings, oligomers, light-curing equipment, and fluid dispense systems that work together to optimize assembly processes.

Dymax products provide design engineers with tools to dramatically improve manufacturing efficiency and lower costs. By providing comprehensive technical support to address specific customer application challenges, we serve the needs of the medical, electronic, optical, aerospace, automotive, appliance, metal finishing, and alternative energy markets worldwide.

The company headquarters are in Torrington with additional facilities in Germany, Ireland, Singapore, Korea, Asia, and China.

Visit dymax.com

LITCHFIELD BANCORP

Litchfield Bancorp is a mutual savings bank offering full service offices in Litchfield, Torrington, Watertown, Washington Depot, and Lakeville.

From our humble beginnings as the Litchfield Bancorp Savings Society to today's multi-branch Litchfield Bancorp and our affiliation with the Connecticut Mutual Holding Company—our bank has deep roots in the communities that we serve.

Stop in today to find out why Every Customer Counts!

Visit litchfieldbancorp.com

NORTHWEST COMMUNITY BANK

For more than 150 years, Northwest Community Bank has been a mutual saving bank operated for the benefit of its depositors.

True to our roots, we value our customers and the communities in which we live and work. In addition, Northwest Community Bank offers a range of consumer and commercial banking services, as well as support to local charitable institutions.

It's your community—and your Northwest Community Bank!

Visit nwcommunitybank.com

ABOUT THE SPONSORS

O&G INDUSTRIES

O&G Industries is one of the Northeast's leading providers of construction services and products.

Our resume includes over 800 highly skilled construction industry professionals, 1,900 pieces of the industry's most well-maintained equipment, and nearly a century of construction industry knowledge and experience spanning numerous client-industry segments.

Combined with a broad portfolio of services and products, O&G is uniquely positioned as one of the most diversified construction companies in the region.

O&G is headquartered in Torrington, Connecticut.

Visit ogind.com

SHARON HOSPITAL

Located in northwestern Connecticut, Sharon Hospital has 78 general hospital beds and provides a full range of services including: bariatric surgery, cardiology, cardiopulmonary, emergency care, imaging, intensive care, neurosciences, orthopedics, pain management, stroke care, surgical, women's services, and wound care.

As part of Health Quest, local patients have greater access to the highest level of care, including direct access to more advanced offerings, the latest technologies, and a network of leading specialists.

Visit patients.healthquest.org/locations/sharon-hospital

ABOUT THE NORTHWEST CONNECTICUT CHAMBER OF COMMERCE

The Northwest Connecticut Chamber of Commerce has been the premier business resource for 21 towns in the region since 1901. Throughout this period, the chamber has worked tirelessly to fulfill its mission of promoting economic growth while enhancing the quality of life in northwestern Connecticut.

The chamber and its Education Foundation have made great strides that are reflected in the resiliency of the business community and beyond. Highlights that demonstrate the commitment to growing a stronger region include the Economic Development Corporation, School to Career Pathways, Leadership NW, Jr. Leadership NW, WOW Forum, SCORE, the Legislative Agenda, Workforce Investment, and the Young Professionals Organization.



All are examples of the chamber's dedication to increasing the awareness of the economic, educational, cultural, and civic opportunities available to all.

It is the chamber's goal that this valuable survey report will be utilized as a guide in overcoming the challenges that stand in the way of building a bright future for our region, its businesses, its residents, and guests.

Visit nwctchamberofcommerce.org

ABOUT CBIA

CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

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.

DRIVING GROWTH, PROMOTING BUSINESS

- ▶ Powerful, dynamic leadership and advocacy at the State Capitol, driving policies that promote a globally competitive business climate.
- ▶ Valuable resources, information, and professional assistance, sharing expertise and best practices across a broad range of issues to help companies compete, grow, and succeed.
- ▶ Innovative, high-value products and member services, including insurance and employee benefits, business and HR resources, energy purchasing solutions, and more.

Learn more at cbia.com



