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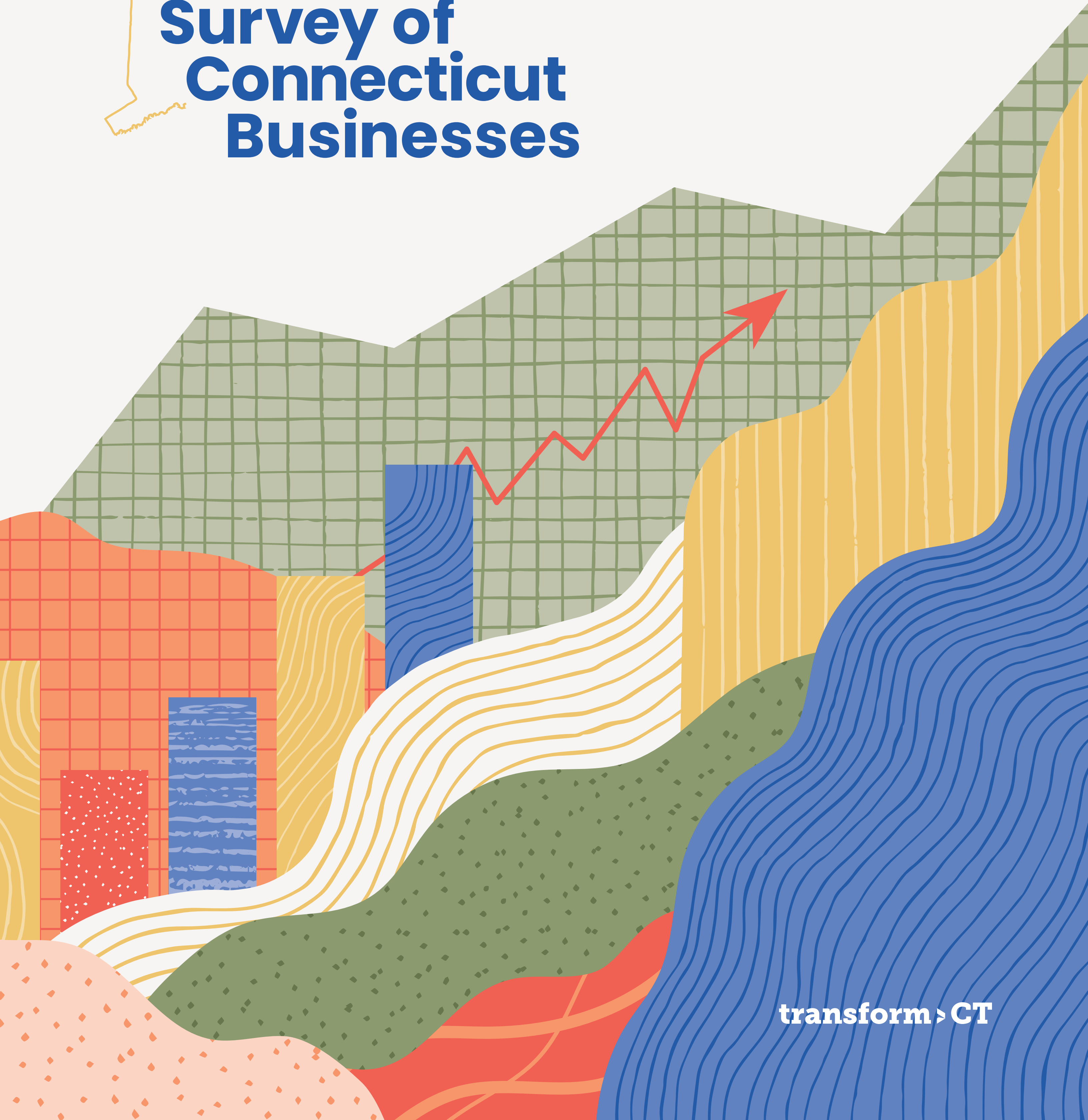
# 2023 Survey of Connecticut Businesses



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## Introduction

CBIA's 2023 Survey of Connecticut Businesses—the 21st annual edition, made possible again through the generous support of Marcum LLP—captures the strength and resilience of the business community, while highlighting the critical need for economic policy solutions.

CBIA surveyed over 3,000 top business executives following a 2023 Connecticut General Assembly session that saw some positive economic initiatives, but fell well short of addressing the state's workforce and high cost of business challenges.

> **This survey highlights the need for aggressively pursuing solutions to the main challenges undermining our economy: the labor shortage, the state's high cost of living, and the high cost of doing business.**
>
> **Chris DiPentima** | President & CEO, CBIA

With Connecticut's fiscal health the strongest in decades, lawmakers passed a two-year, $51 billion state budget that featured a historic $460 million in income tax cuts for most individual taxpayers.

As state officials pour funding into housing initiatives, continued investments in education, workforce development, and childcare, will it be enough to transform the state's economy amid inflationary pressures and supply chain disruptions?

While Connecticut's workforce has long been a strength, the growing labor shortage crisis remains a top concern for businesses. Wages continue to increase—up 4.4% in 2022, with the average salary fifth highest in the country—while the state's cost of living and the cost of doing business remain stubbornly high.

Through July 2023, Connecticut's labor force has lost 41,100 people (2.1%)—31,900 in just the last 12 months alone—while job openings are 30% above pre-pandemic levels. At the same time, the U.S. labor force has fully recovered from the pandemic and is in growth mode.

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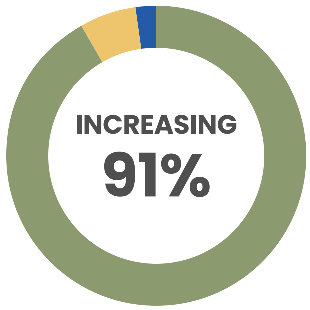
That mismatch of supply and demand is undermining Connecticut's economic prospects. As this survey shows, employers are losing patience and the longer the labor shortage continues, the greater the risk that companies will look elsewhere to meet their workforce needs.




**Is the cost of doing business in Connecticut...**

- Increasing (91%)
- Decreasing (0%)
- Remaining the same (6%)
- Unsure (2%)

Connecticut's economy expanded 2.4% in 2022—17th best in the country—despite lackluster fourth quarter growth of 0.1%. Momentum stalled again in the first quarter of this year, with GDP growing just 0.3% amid declines in key sectors.

CNBC's annual America's Top States for Business study—recognized for its independence and rigorous methodology—ranked Connecticut's business climate 31st this year, up eight spots from 2022.

The state's quality of life, technology and innovation, and education scores drove that rankings boost, although Connecticut's overall rank was again compromised by poor scores for affordability, business costs, and economic performance.

Remarkably, businesses perservered through cost and workforce challenges, with 76% reporting profits last year, the best since 2019, although the forecast for this year is considerably more subdued.

Businesses are navigating challenging times through innovation and the adoption of new processes, from cutting lead times to fast-tracking employee training and relying on one another for support and sharing best practices.

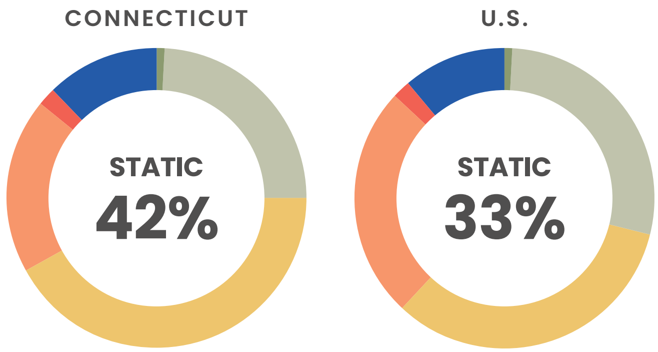
Nonetheless, while most companies withstood rising costs and other challenges in 2022, Connecticut's high cost of doing business continues to undermine our overall competitiveness and ability to attract and keep employers and the career opportunities they offer residents.

This year's survey responses confirm the pandemic's legacy: rapidly evolving perceptions and understanding of logistics and supply chain systems, business models, consumer behavior, careers, and the workplace.

It also highlights the numerous opportunities—requiring a greater sense of purpose and commitment from policymakers—to unlock Connecticut's potential and build a sustainable economy that emphasizes affordability, meaningful careers, and a positive business climate.

## Key Findings

- Finding and/or retaining employees is difficult for 81% of surveyed businesses—essentially unchanged from last year
- The percentage of top executives who say the lack of skilled job applicants is the greatest obstacle to growth increased seven points over last year to 46%
- 91% say the cost of doing business in Connecticut is increasing, with rising labor costs (25%) and state taxes (16%) the primary drivers




**What is your 12-month outlook for the Connecticut and U.S. economies?**

- Strong growth (1%, 1%)
- Moderate growth (24%, 28%)
- Static (42%, 33%)
- Moderate contraction (19%, 25%)
- Strong contraction (2%, 2%)
- Unsure (12%, 11%)

- One-quarter of business leaders believe Connecticut's economy will expand over the next 12 months, with 29% forecasting national growth
- Inflation remains a challenge for 83% of businesses
- Only 10% of executives feel the state's business climate is improving, while 41% say it's static and 33% believe it's declining
- 76% of companies reported profits in 2022, up from 68% the previous year and the highest since 2019
- Two-thirds (66%) expect a profitable 2023, while 7% project losses
- 60% expect their employment levels to remain stable over the next six months, with 30% projecting increases
- 92% of employers offer employees health insurance benefits and 86% report coverage costs increased in the latest renewal period

## The Connecticut Economy

Connecticut business leaders have a cautious outlook for the state's economy, with 42% expecting static conditions over the next 12 months, up six percentage points from last year's survey.

One quarter (25%) project economic growth, essentially unchanged from last year, while 21% forecast a contraction, down 17 percentage points from the 2022 survey. Twelve percent are unsure.

Twenty-nine percent of surveyed executives expect the U.S. economy to grow in the next 12 months, up nine points from last year, while 33% forecast unchanged conditions and 27% predict a contraction—compared with 55% last year.

What's shaping business leaders' views of the economy? The job market—and more specifically the labor shortage—dominates.

Connecticut has 91,000 job openings, 30% above pre-pandemic levels. Over the same period, the labor force—those working and those looking for work—declined by 41,100 people or 2.1%, down 31,900 in the last 12 months alone.

As of July 2023, Connecticut's 12-month job growth is 1.3%—42nd in the country—with the U.S at 2.3%. The hiring rate is just 3.1%, fifth lowest in the U.S.

Massachusetts' year-over-year job growth rate is 2.4%, the best of the New England states and tied for eighth fastest in the country. New Hampshire's 12-month growth rate is 1.5%, followed by Connecticut, Vermont (0.7%), Maine (0.5%), and Rhode Island (-1.1%).

As of July 2023, Connecticut has recovered 98% of the historic 289,100 jobs lost in March and April 2020 to pandemic-related shutdowns and restrictions. The national average is 118%.

New Hampshire has the New England region's best recovery rate at 107%, followed by Maine (104%), Massachusetts (103%), Connecticut, Vermont (89%), and Rhode Island (87%).

Half of the state's 10 main industry sectors recovered all lost jobs through July and are expanding: professional services (135%), construction (120%), trade, transportation, and utilities (111%), education and health services (105%), and information (100%).

Of the five yet to recover, two are critical drivers of the state's economy: manufacturing and financial activities.

Employment in the manufacturing sector remains below February 2020 levels, with 8,000 of the 11,900 jobs lost to pandemic disruptions recovered. Financial activities now employs 7,200 fewer people than before the pandemic.

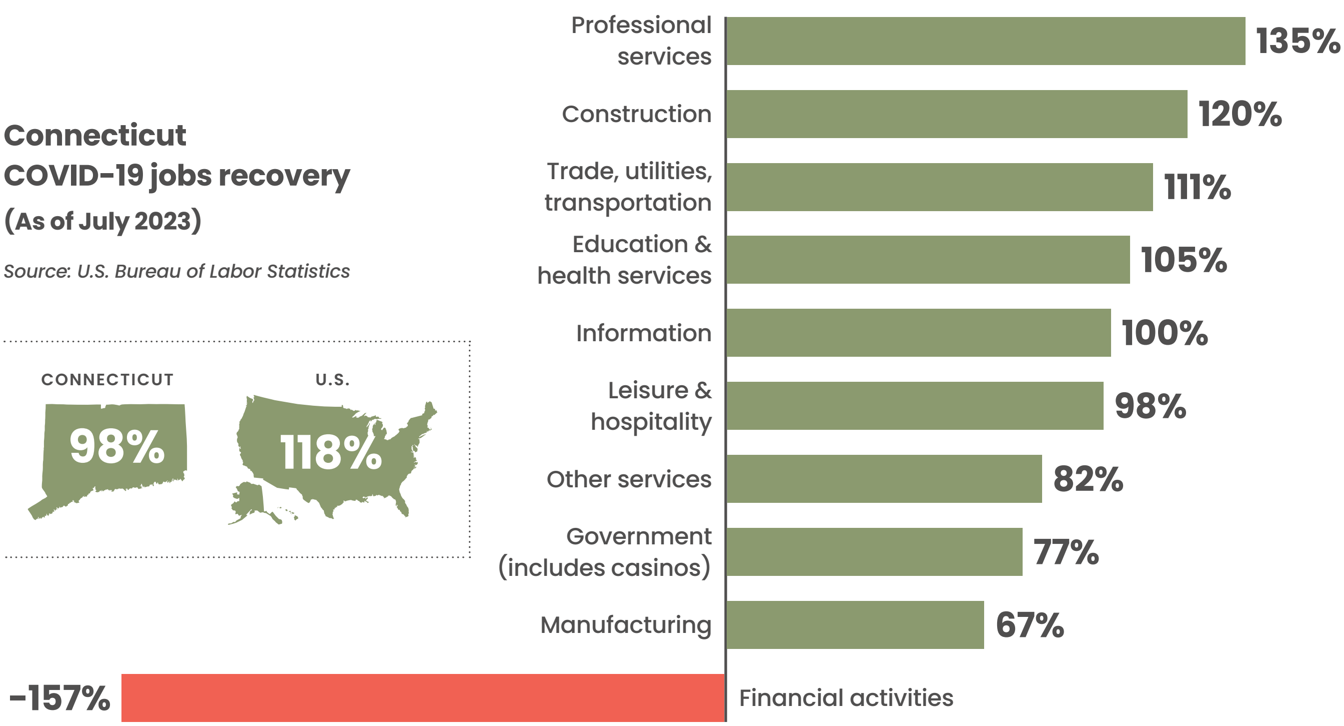
While the state's 3.6% unemployment rate is the lowest since February 2002, it remains the highest in the region and 37th highest in the country. Nonetheless, the 64.1% labor participation rate is the 20th best of all states.

Turnover in Connecticut workplaces is among the lowest in the country, reflecting the way employers responded to post-pandemic challenges (discussed in more detail later in this report). The voluntary quits rate is just 2%—eighth lowest of the states—and the separations rate is 3.3%, also eighth best in the country.

Average annual salaries jumped 4.4% in Connecticut in 2022, the second largest increase over the last

**Connecticut COVID-19 jobs recovery**
**(As of July 2023)**

*Source: U.S. Bureau of Labor Statistics*



decade, with workers earning an average $81,237, fifth highest in the country.

Massachusetts workers earned the highest average wage ($89,731), followed by New York ($89,564), California ($84,376), and Washington state ($83,987). Nationally, average wages increased 3.5% to $69,985, ranging from a high of 6.8% in Idaho ($54,188) to a 1.6% decline in California, the only state where wages shrank.

Connecticut personal income grew 5.5% in the first quarter of 2023—36th best in the nation—after increasing 2.6% last year (27th). At $84,972, the state's average personal income is the highest in the country, just ahead of Massachusetts ($84,945).

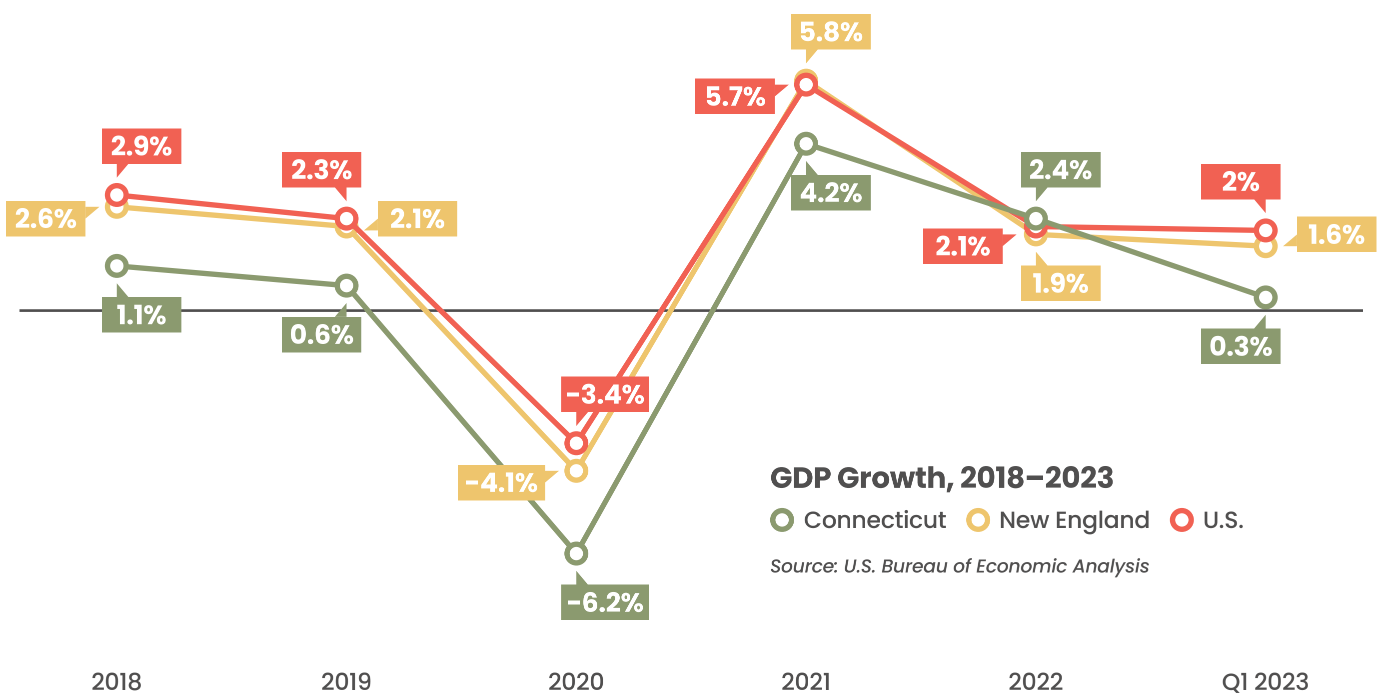
U.S. personal income grew 5.1% in the first three months of the year after growing 2.4% in 2022. The New England states averaged 2.7% growth, with Maine's personal income expanding 11.4% to lead the region and the country.

Connecticut's GDP expanded 2.4% in 2022—17th best in the country—despite lackluster fourth quarter growth of just 0.1%. The six New England states averaged 1.9% growth last year while U.S. GDP grew 2.1%.

Momentum stalled again in the first quarter of 2023, with Connecticut's GDP growing just 0.3%—sixth slowest in the U.S.—amid productivity declines in a number of key industry sectors. Regional GDP expanded 1.6% and the U.S. economy grew 2% in the quarter.

Connecticut's $333.1 billion economy accounts for 24% of New England's $1.37 trillion GDP, and is the second largest in the region behind Massachusetts ($721.9 billion).

Fifteen of the 23 industry sectors tracked by the U.S. Bureau of Economic Analysis posted productivity gains in the first quarter of 2023, led by healthcare, which expanded 0.76% after growing 0.36% in 2022.



*Source: U.S. Bureau of Economic Analysis*

> **In Connecticut, where 99% of employers are classified as small businesses, a remarkable 76% experienced their most profitable year in three years in 2022. This presents a very positive outlook for businesses looking to expand in 2023.**
>
> **Ethan Brysgel** | National Financial Accounting & Advisory Services Leader, Marcum LLP

Retail trade—the worst performing sector in 2022—grew 0.54%, followed by information (0.47%), wholesale trade (0.37%), arts, entertainment, and recreation (0.3%), accommodation and food services (0.16%), transportation (0.13%), professional services (0.12%), state and local government (0.11%), military (0.1%), federal government (0.08%), administrative services (0.07%), and other services (0.02%).

The state's agriculture, mining, and utilities sectors all saw no growth in the first quarter.

Connecticut's finance and insurance sector posted the best growth of any sector in 2022, but contracted an alarming 1.58% in the first three months of 2023.

Durable goods manufacturing shrank 0.71% in the first quarter, followed by real estate (-0.42%), nondurable goods manufacturing (-0.07%), management (-0.07%), educational services (-0.04%), and construction (-0.03%).

Connecticut commodity exports increased 5.47% in 2022 to $15.3 billion, despite a significant decline in shipments to China and Germany. Companies exported $800 million more in goods in 2022, with six of the state's top 10 export markets posting double digit percentage increases.

However, exports have yet to fully recover from pandemic disruptions, with 2022 shipments about $700 million (-4.4%) below 2019 levels. Commodity exports accounted for 4.8% of the state's GDP last year.

Exports to France posted the largest percentage gain last year, increasing 51.1% to $1.09 billion, making that country Connecticut's fifth largest export market. United Kingdom commodity sales rose 33.5% to $1.36 billion, followed by Singapore (24.7%), Canada (18.9%), Japan (18.4%), Mexico (16.2%), the Netherlands (5.8%), and South Korea (2.6%).

Exports to China—which was the state's third largest market—fell more than $410 million in 2022 to $887.9 million, pushing that country to seventh. Shipments to Germany—which remains the state's largest commodities market—fell $240 million (-10.1%).

At $4.7 billion, aircraft, spacecraft, and parts represented the greatest share of commodity exports, up 3.9% from 2021 and down $1.5 billion from 2019.

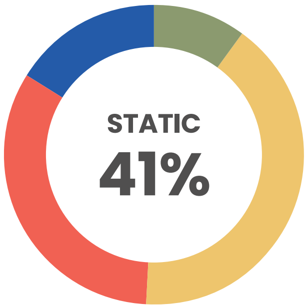
Exports of industrial machinery, including computers, hit $3.23 billion (+8.39%), followed by optic, photo, and medical equipment ($1.32 billion; +2.6%), electric machinery ($1.29 billion; +7.5%), and plastics and articles ($542.7 million; +12.3%),

Connecticut is the number two exporter in New England behind Massachusetts, which shipped $32.7 billion in goods last year. New England commodity shipments increased 3.5% to $64.14 billion in 2022, bringing regional exports back to pre-pandemic levels.

## Business Climate

Top executives' perceptions of the state's business climate mirror their economic outlook. Forty-one percent describe the business environment as static—a 10-point jump from the 2022 survey—while one-third (33%) say it is declining, down from 50% last year.

Only 10% of surveyed executives believe Connecticut's business climate is improving, up two points from last year, while 16% are unsure.




**What's your perception of Connecticut's business climate?**

- Improving (10%)
- Static (41%)
- Declining (33%)
- Unsure (16%)

Those who see improving business conditions cite more support from the current administration, state agencies, state lawmakers, and municipal officials, as well as Connecticut's financial health.

"They are beginning to understand the burden they place on small businesses in Connecticut … need to do more," one business leader noted.

For those who perceive a static or declining business climate, the reasons vary.

One quarter (25%) cite costly labor mandates and government regulations as the primary factor.

Fourteen percent note indifference from state legislators and 11% cite a lack of support from state agencies. Business leaders also point to the lack of workforce housing options, the labor shortage, and the loss of younger residents to other states.

"There is a lack of affordable housing for service employees with no real plan to tackle by the state, which greatly affects our ability to grow the manufacturing employee base," said one respondent.

Sixteen percent of respondents approve of the state legislature's handling of the economy and job creation—up four points from last year—with 43% neutral (up two points), and 41% disapproving, down five points.

"Too many taxes and financial burdens on small businesses, too many restrictions—incredibly risky for small business owners to continue operating in this way for very long," noted one respondent. "It's unsustainable."

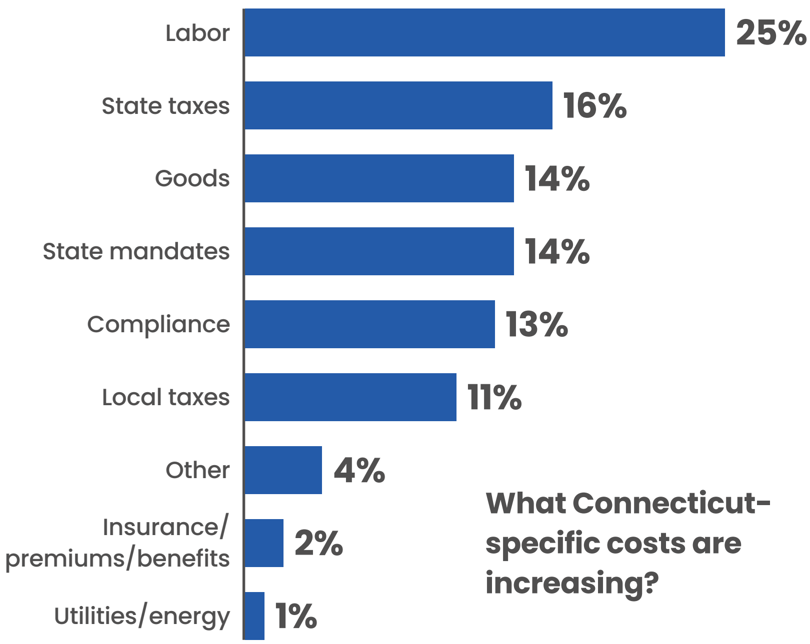
"There needs to be more emphasis on career training and reducing the cost to operate a business," wrote another. "This will drive growth."

A third respondent said "the increase in regulations is costing us a lot of time and money and taking my attention away from running my business."

The survey responses emphasize that small businesses largely feel ignored or taken for granted by policymakers, with the legislature's continuing failure to act on a number of issues—including tax relief and healthcare costs—a major point of contention.

"Not bringing up HB 6710 for a vote was clearly a play at special interests and a total disregard to not just businesses trying to retain people, but their employees who deserve good, affordable coverage," noted one small business owner, referencing legislation that significantly lowered healthcare costs.

Connecticut climbed eight places to 31st in CNBC's 2023 America's Top States for Business ranking, driven by the state's quality of life, technology and innovation, and education metrics.




**What Connecticut-specific costs are increasing?**

CNBC ranked Connecticut in the top 20 for four of the 10 weighted categories used to measure a state's economic competitiveness, with the life, health, and inclusion category ranked highest at 10th, up seven places from last year.

The technology and innovation score, which measures areas such as patents issued and research grants, improved 12 places to 13th, as did the state's education system, down five spots from last year.

The study scored Connecticut's business friendliness 16th—a drop of five spots—while the workforce ranking, measuring skills and productivity and the concentration of STEM workers, dropped seven spots to 21st.

Connecticut's economy and cost of doing business again ranked in the bottom 10 of all states, with the latter at 43rd, reflecting the state's tax burden and high labor, energy, and regulatory compliance costs.

Ninety-one percent of surveyed executives say costs are increasing, 6% said they are unchanged, and 2% are unsure.

When asked what Connecticut-specific costs are rising, 25% pointed to labor costs, followed by state taxes (16%), state mandates (14%), goods and materials (14%), compliance (13%), and local taxes (11%).

Seventy-six percent of businesses reported profits in 2022, up from 68% in 2021 and the highest level since 2019, with 13% registering losses and 10% breaking even. Small businesses saw slightly diminished results, with 73% reporting profits, 16% posting losses, and 11% breaking even.

For 2023, 66% of all surveyed companies project profits, 18% say they will break even, 9% are unsure, and 7% expect losses.

What drove profits in 2022? Respondents largely pointed to increased demand and sales, changes to supply chain management and logistics, product innovation, a diversified customer base, the post-pandemic recovery of the national and state economies, improved cost controls, and inflationary counter measures.

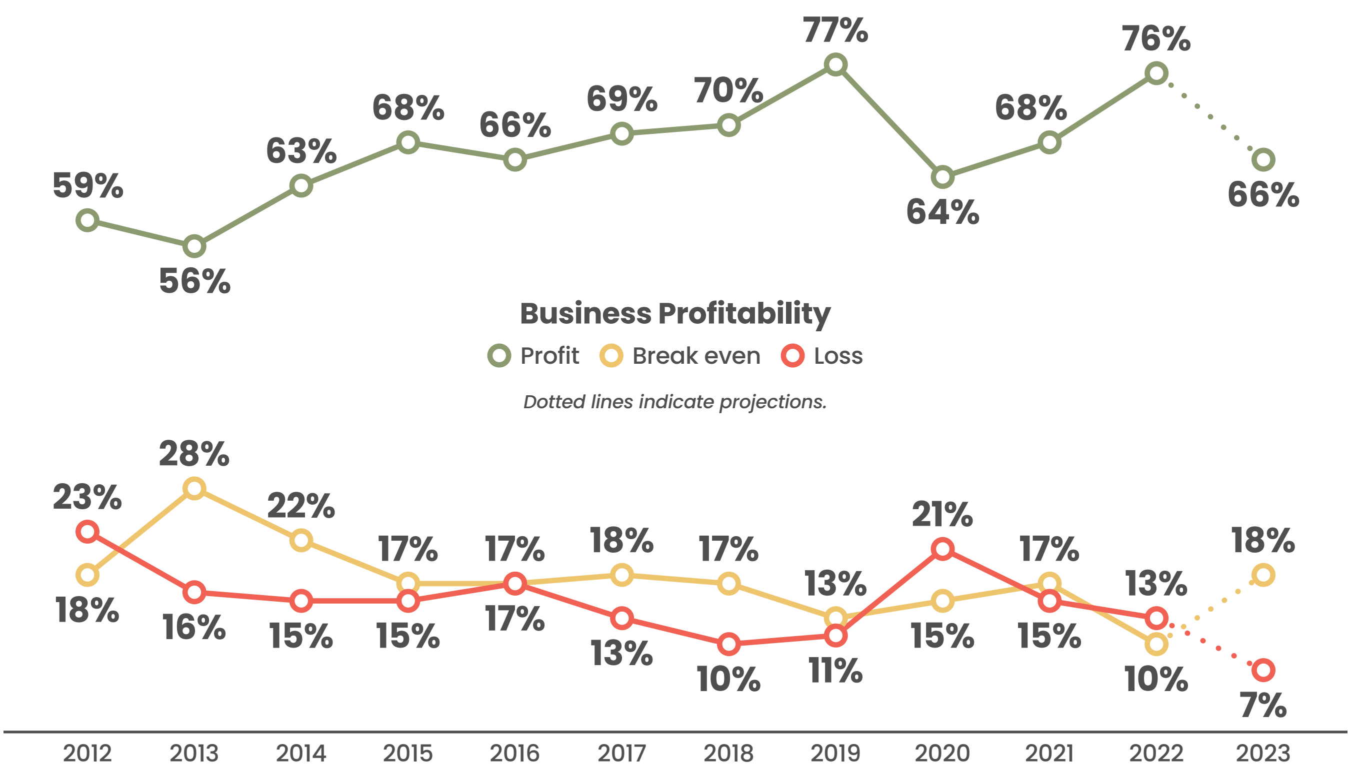
As for losses, companies cited rising labor and wage costs, the shortage of skilled labor, supply chain disruptions, increases in the cost of energy, goods, and materials, and competitive pressures.

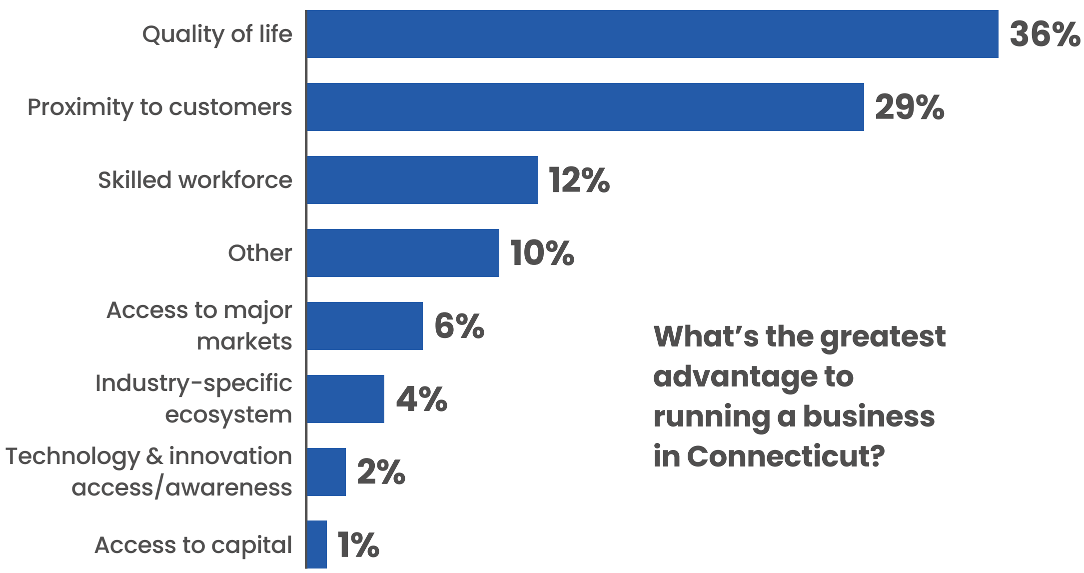
Thirty-six percent of surveyed executives say Connecticut's quality of life is the greatest advantage to running a business here, followed by proximity to customers (29%), skilled workforce (12%), access to major markets (6%), industry-specific ecosystem (4%), technology/innovation awareness (2%), and access to capital (1%).

The lack of skilled applicants continues to strain business operations. Forty-six percent of respondents say the worker shortage is the main factor hampering growth in Connecticut, a seven-point increase from last year.

Connecticut's high cost of living is the major growth obstacle for 16% of surveyed firms, followed by high business taxes (9%). Executives also cite the unpredictability of legislative decision-making, increased regulatory compliance costs, workplace mandates, and weak economic conditions.

Sixty-nine percent of companies produce their products and services in Connecticut, with 35% introducing a new product or service in the past



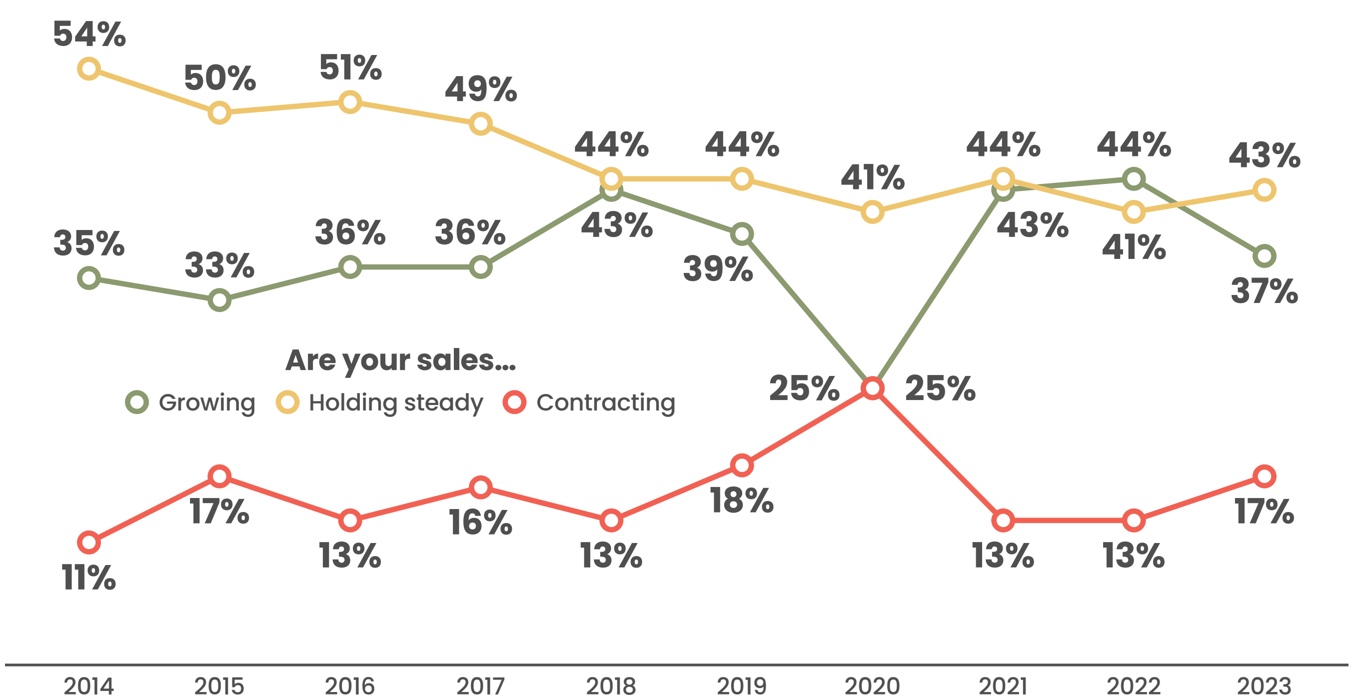



**What's the greatest advantage to running a business in Connecticut?**

Four percent of surveyed companies are planning to move or expand to another state while another 25% have considered relocation or expansion elsewhere. Lower costs, less taxes, and proximity to customers are the primary reasons driving those decisions.

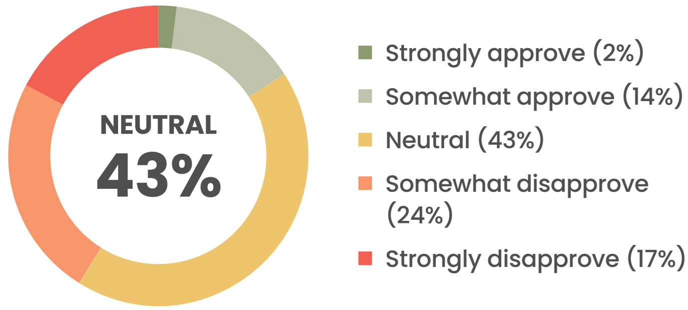
12 months. Of the 31% that expect to launch a new product or service in the next 12 months, 64% plan to locate production in Connecticut, while 20% will partially site production here.

Businesses have been approached by and/or considered a number of southern states for



relocation or expansion, including North Carolina, South Carolina, Florida, Texas, Tennessee, Georgia, Utah, and Arizona.

**Do you approve of the state legislature's handling of the economy and job creation?**




For the first time in the history of this survey, respondents also indicated that they are looking at neighboring states such as Massachusetts, New York, New Hampshire, and Rhode Island.

## Inflation, Supply Chain Pressures

Inflation continued to challenge business operations in the past year, with 83% of surveyed companies impacted by rising costs. Only 9% of respondents said they were not impacted by inflationary pressures, up two percentage points from last year.

When asked what state policymakers can do to ease the impact of inflation, business leaders suggest cutting taxes, reducing government spending, and reducing overall costs for businesses, including healthcare and energy costs. Others suggest increasing housing options and reducing unemployment benefits.

"Stop increasing the costs of workers through additional laws [such as] paid leave, minimum wage hikes ... tighten laws regarding unemployment requirements," said one respondent.

"Encourage small business growth by lower taxes and providing lower healthcare insurance costs," added another.

Survey respondents also expressed a greater emphasis on protecting the state's small businesses, many of which are still struggling in the wake of the pandemic.

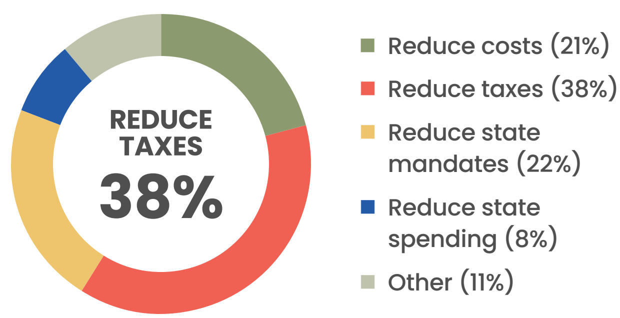
"We need tax breaks for small businesses," noted one.

Another suggests continuing with pandemic-era small business support programs, including low-interest loans, while others call for reducing the cost burden on Connecticut's small employers.

Generally, Connecticut companies addressed inflation by increasing prices.

**Is inflation a challenge for your business?**


**What can state policymakers do to ease the impact of inflation?**



"We increase efficiency, supply superior service, and raise rates," one executive noted.

When asked how their companies navigated supply chain disruptions, the responses varied. Thirty percent of respondents chose to diversify their suppliers, 28% identified backup suppliers, and 26% built up their inventories.

Others cut back on purchases, engaged in long-term purchase agreements, and increased lead times.

"We've had to increase our costs across the board to deal with these uncertainties from our own suppliers," said one executive. "The quality of our sub-tier suppliers has dropped considerably and our risks have increased because of it. The majority of issues are due to poorly skilled workers across the board or lack of available workers."

During a June event hosted by CBIA, Sikorsky president Paul Lemmo highlighted the impact of supply chain disruptions, telling the audience "we have seen lead times growing from our suppliers, we've seen price increases."

"And more importantly, but detrimental to our business, we've seen late deliveries starting to occur on products that we need to build our aircraft," he said.

"All the assumptions that we ran our business by and that we thought we knew about the supply base and the predictability have really gone away over the last couple of years."

Connecticut's labor shortage crisis is also impacting productivity for a number of Sikorsky's suppliers.

"We've seen a lot of labor turnover in our supply base, which has caused them to kind of lose the recipe on some things that they have made for us," Lemmo said.

**Stop increasing the costs of workers through additional laws [such as] paid leave, minimum wage hikes...**

**Encourage small business growth by lower taxes and providing lower healthcare insurance costs.**

**We need tax breaks for small businesses.**

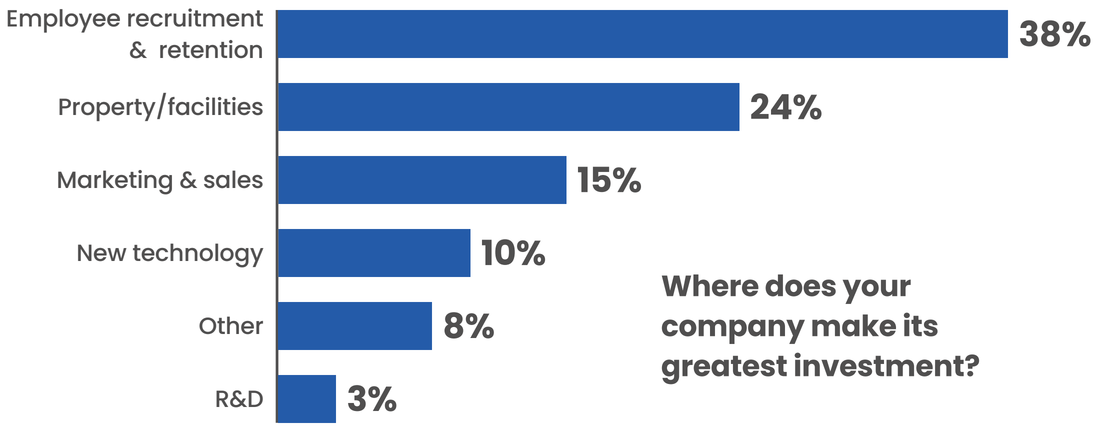
**Offer better state funding and investments in small businesses.**

**How can policymakers address Connecticut's high costs?**

## Workforce

Connecticut's labor shortage is the dominant issue facing Connecticut companies and the greatest threat to the state's economic prospects. As this survey illustrates, businesses face strong demand for their products and services—what's missing are the workers to meet that demand.

Eighty-one percent of surveyed companies say it is difficult to find and retain workers—essentially unchanged since last year's survey. As noted earlier in this report, 46% of business leaders describe the labor shortage as the biggest issue hampering growth prospects.




**Where does your company make its greatest investment?**

There are a number of factors driving the labor shortage, many of them structural issues that predate the pandemic.

An aging workforce, a decade-plus of stagnant population growth, and the state's high cost of living are long-term challenges now compounded by concerns such as the dearth of workforce housing options, a lack of accessible, affordable childcare, and burdensome occupational licensing requirements.

"We remain among the highest taxed states in the Union and we are unable to translate that revenue into vibrancy in the state where people want to come here to live and work," noted one business leader. "Simple as that."

"Applicants from out of state cannot transfer HVAC license or apprenticeship hours," a survey respondent wrote. Added another: "Apprentice program fees are high and limited to a certain number of apprentices."

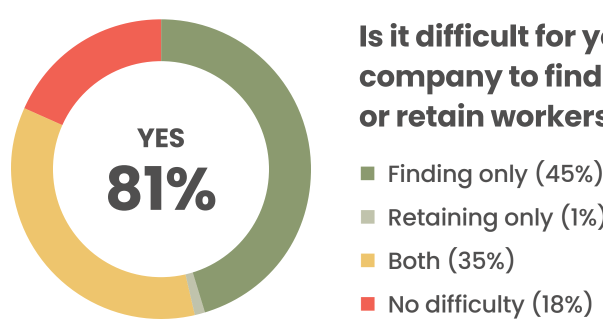
Recruiting, employee retention, and training are the top investment priorities for 38% of surveyed companies—and an even bigger priority for small businesses, with 41% nominating workforce investments as their main target.

This year, Connecticut employers also increased wages across the board, with average annual salaries jumping 4.4%, the second largest increase of the last decade. Connecticut workers earned an average $81,237 in 2022, fifth highest in the country. Nationally, average wages increased 3.5% to $69,985.

One-third of surveyed businesses (33%) report that applicants generally did not possess the required skills or expertise. In addition, 27% say job candidates did not possess an adequate work ethic, 24% note the state's high cost of living, and 15% cite competitive pressures from other employers offering higher wages and/or more expansive benefits.

The labor shortage impacts all industry sectors, although it is particularly acute in industries such as manufacturing and the trades, which often do not require bachelor's degrees.

**Is it difficult for your company to find and/or retain workers?**



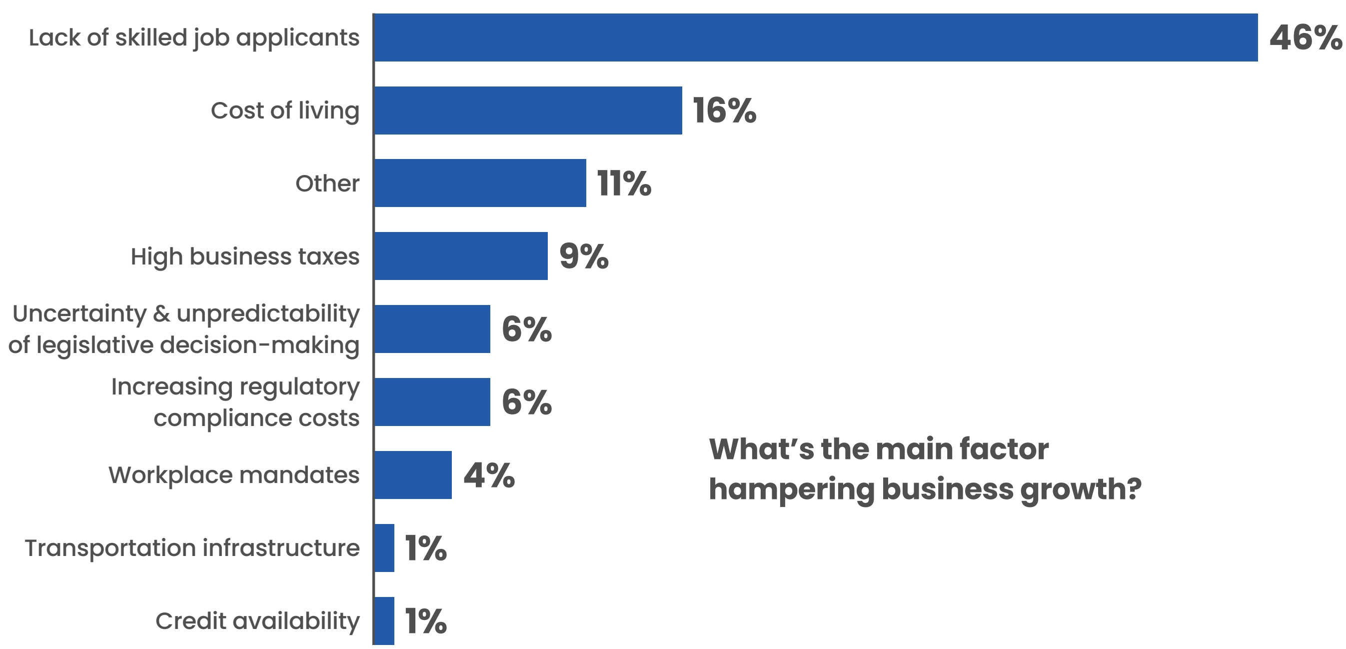
The largest share of surveyed employers (35%) are looking for a high school or GED equivalent diploma, 21% are looking for certificate programs, and another 21% want candidates with bachelor's degrees. Only 8% of vacant positions required a master's degree or higher, and 9% do not have any educational background requirements.

Childcare issues are a growing challenge for Connecticut's workforce. Of the employers surveyed, 63% say that accessible, quality, and affordable childcare in their geographic area is important for recruiting and retaining employees.

More businesses are investing in childcare than ever before, using it as a tool to attract talent. Still, the most common retention and attraction approach is providing flexible work schedules (27%), including a hybrid work model.

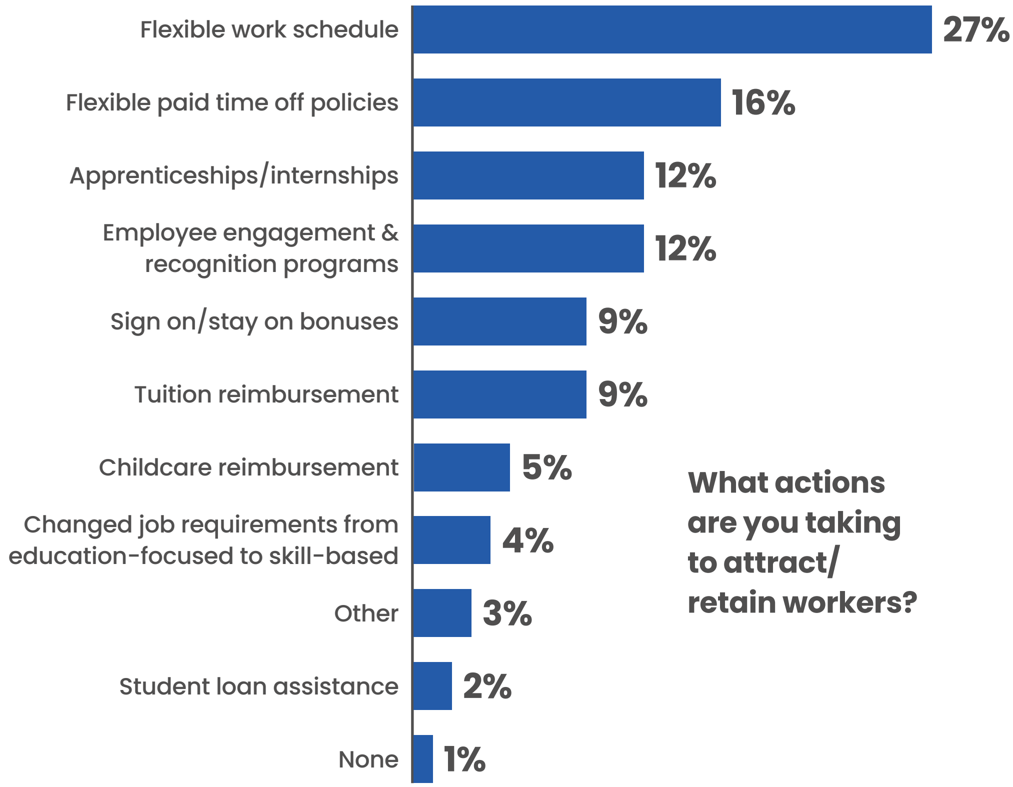
Respondents say they are also providing flexible paid time off policies (16%), implementing employee engagement initiatives (12%), promoting apprenticeships and internships (12%), offering tuition reimbursement (9%), sign-on bonuses (9%), and childcare reimbursement (5%).

> **Despite various hurdles, Connecticut businesses remain cautiously optimistic after demonstrating Yankee ingenuity to not only thrive but pave the way for a hopeful outlook in 2023. Lowering cost burdens for both employers and employees is crucial for sustaining ongoing success and attracting and retaining top talent.**
>
> **Michael Brooder** | Hartford Office Managing Partner, Marcum LLP




**What's the main factor hampering business growth?**

Fewer than half of surveyed businesses (38%) are engaged with education institutions. Of those that are engaged, 35% collaborate with community colleges, 29% with four-year institutions, and 23% with local high schools. The remaining 13% are involved with institutions such as trade and vocational schools.




**What actions are you taking to attract/ retain workers?**

Only 11% of surveyed executives believe Connecticut state government is doing enough to drive workforce development initiatives in their industries, the same response as last year. Nearly half of respondents (46%) do not think the government is doing enough, an eight-point decline from last year. Forty-three percent say they are unsure.

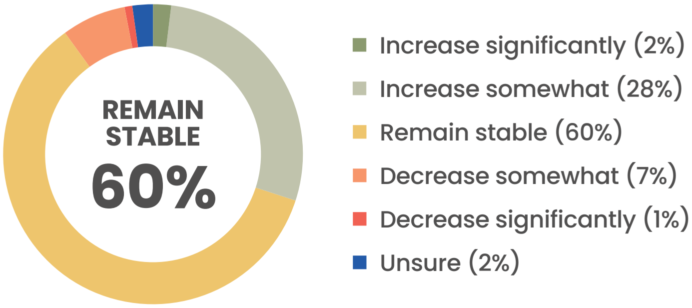
Over half (55%) have not used any state workforce development programs. Nineteen percent utilized Department of Labor apprenticeship programs, 10% found employees through the CareerConneCT training program, and 5% engaged with regional sector partnership programs.

One business leader suggested the state should promote trade schools, as well as support more apprenticeships and state-sponsored technical education opportunities.

"[We need] less focus on higher education as the more important option following high school," they noted.

"Tuition reimbursement for trade schools and state schools for those students going into skilled trades," added another.

**What do you expect to happen to the size of your workforce the next six months?**



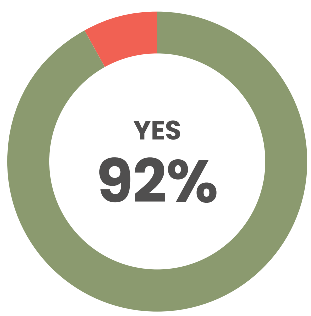
Other suggestions include more career-ready high school coursework, tax incentives for small businesses, more comprehensive job certification programs, and improved perceptions of careers in the skilled trades.

Just thirty percent of surveyed companies expect to increase the size of their workforce in the next six months, compared with 34% last year. Most businesses (60%) expect employment levels to remain stable.

## Healthcare

Along with housing and childcare, healthcare is an important piece of Connecticut's affordability puzzle.

The vast majority of surveyed businesses (92%) provide health insurance as part of their employee benefit packages, with 63% offering a fully-insured plan, 14% a level-funded plan, and 13% a self-funded plan.




**Does your company offer health insurance as part of its benefits package?**

- Yes (92%)
- No (8%)

However, employers are struggling to keep pace with rising healthcare costs. Eighty-six percent of businesses experienced an increase in the cost of their employee health plans during their most recent health insurance renewal. Only 9% did not.

The vast majority of businesses plan to maintain the same level of healthcare coverage contributions in the next year. Only a quarter (25%) expect to increase their benefits as a means of improving employee retention.

Employee health insurance costs vary for employers. Thirty percent report that 6% to 10% of their expenditures go to employee health insurance plans, 23% say costs are 5% or less, and 23% are unsure.

Most Connecticut businesses did not make significant changes to their health-related benefits during the last 12 months, with 81% reporting no significant changes, and only 13% making adjustments.

Of those who made changes, 17% increased employee share of costs, 12% changed from fully insured to self-insured benefits plans, 7% dropped health insurance for their employees, and 3% implemented a wellness program. Other businesses say they changed their insurance provider or plan, decreased employee share of costs, or increased contributions.

"[We] now only pay half of employee benefits. Employee is responsible for all of the dependent health expenses," one employer noted.

The healthcare issue is particularly acute for employers with 50 or fewer employees. While not mandated to provide health benefits—as larger employers are—most small businesses offer coverage as part of an overall strategy to provide competitive compensation and benefits.

However, the small group market is under growing pressure as providers exit, leaving smaller employers with fewer affordable options for their employees.

## Conclusion

Our 2023 survey of Connecticut businesses highlights the remarkable resilience and innovation of the state's job creators—traits that guided businesses as they navigated the historic challenges of the past few years.

Connecticut employers have adapted at lightspeed to the demands of the post-pandemic world, successfully transforming operations, workplaces, and their cultures to reflect the changing needs of employees and customers.

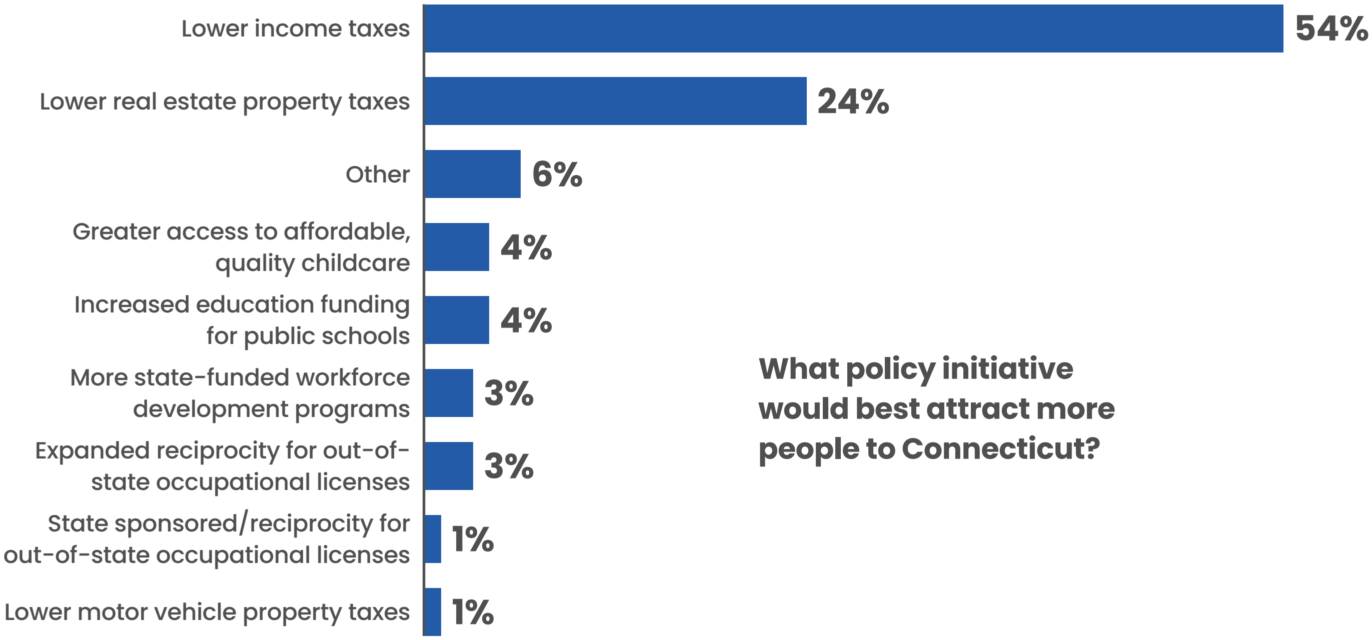
And while most returned profits in the face of often unprecedented tests and threats, it is clear the outlook for many remains clouded by uncertainty, particularly for Connecticut's hundreds of thousands of small businesses, which represent 99% of all employers in the state and 48% of all employees.

Transforming Connecticut means breaking down the obstacles that threaten our economic growth and prosperity, hurdles that deny opportunities for too many of our residents.

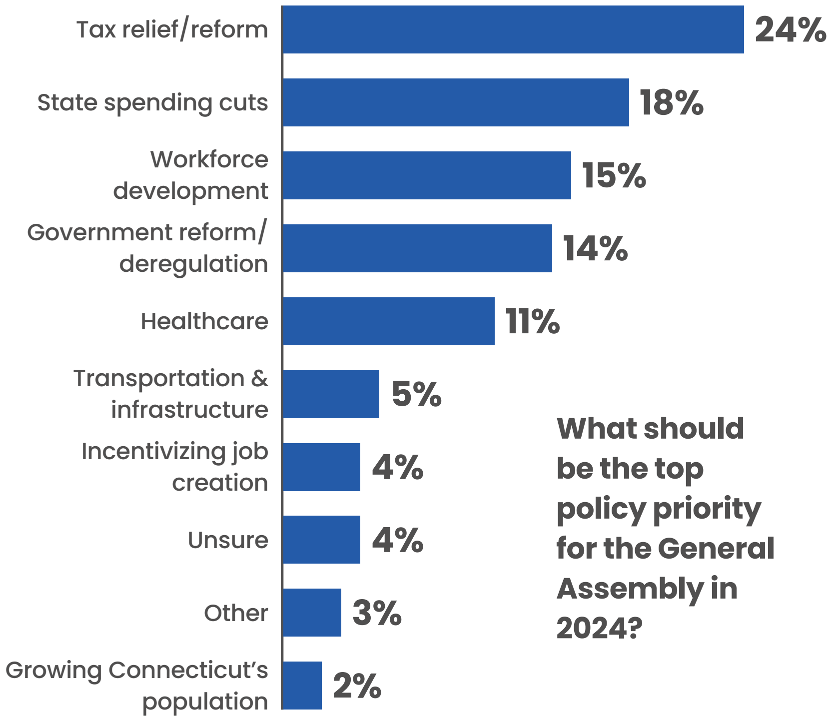
That starts with prioritizing strategies and tactics for solving the labor shortage crisis, the biggest threat to economic growth. The job openings are here—91,000 at last count—what's missing are the people to fill those jobs, pursue their own career pathways, and build rewarding lives in Connecticut.

We asked Connecticut business leaders to identify the policy priorities that will have the greatest impact when it comes to changing the narrative, the initiatives that will reverse a decade-plus of population declines and attract the people we need to grow our economy and unlock the state's true potential.

Fifty-four percent identified income tax cuts as the policy with the potential for the greatest impact. And while the state legislature passed historic personal tax relief measures this year, more still needs to be




**What policy initiative would best attract more people to Connecticut?**




**What should be the top policy priority for the General Assembly in 2024?**

done as our tax policies should attract new residents and businesses, not act as a deterrent.

Connecticut's property tax burden is often cited as a major driver of living and business costs—24% of those we surveyed said lower property taxes will best draw new residents. Other responses included access to quality affordable healthcare, more housing options, increased education funding, and occupational licensing reform.

We also asked business leaders to identify the top policy priorities for the 2024 General Assembly session, a list topped by calls for tax relief (24%), state spending reforms, workforce development (15%), cutting red tape (14%), and healthcare (11%).

Over the last several years, the state legislature missed a series of significant opportunities to leverage the state's new-found fiscal strength and lower business costs.

For instance, this year saw legislation introduced that restored the pass-through entity tax credit (returning over $60 million to small businesses), repealed sales taxes on workforce training, and a landmark, bipartisan bill that lowered the cost of healthcare for small business employees.

None of those measures passed.

"It's clear that we need more small business champions in the legislature," CBIA president and CEO Chris DiPentima said at the end of the legislative session. "It's not enough to say you support small businesses—words need to be followed up with action and policy must go above politics.

"If policymakers are not making business tax relief a priority, we've got serious concerns. This baffles me—why wouldn't it be a priority, especially after we've made significant progress on reducing the cost of living in Connecticut through housing measures and personal income tax relief?"

Connecticut cannot afford to keep missing these opportunities.

This survey is more than a reminder of our challenges—it's a package of ideas and solutions framing the need to aggressively pursue policies that allow us to better overcome the main factors undermining our economy: the labor shortage, the state's high cost of living, and the high cost of doing business. ■

## About Marcum

Marcum LLP is a national accounting and advisory services firm dedicated to helping entrepreneurial, middle-market companies and high net worth individuals achieve their goals. Since 1951, clients have chosen Marcum for our deep expertise and insightful guidance in helping them forge pathways to success, whatever challenges they're facing.

Marcum offers a complete spectrum of tax, assurance and advisory services, as well as an extensive portfolio of industry-focused practices with specialized expertise for both privately held and publicly registered companies, and nonprofit and social sector organizations. The Firm also provides a full complement of technology, wealth management, executive search and staffing services.

Headquartered in New York City, Marcum has offices in major business markets across the U.S. and select international locations.

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## About CBIA

CBIA 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.

- 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 consulting services through our CONNSTEP affiliate, ReadyCT workforce development initiatives, business and HR resources, energy purchasing solutions, and more.

**For more information about CBIA and its affiliates, visit cbia.com.**

# About the Survey

## Methodology & Demographics

CBIA mailed and emailed the 2023 Survey of Connecticut Businesses to more than 3,100 top executives throughout the state from June 12 to July 17, with a response rate of 18.9% and a margin of error of 2%.

Survey respondents have run their business operations in Connecticut for an average of 49 years, with a range of less than one year to more than 200 years.

The majority of surveyed firms are small businesses—79% employ less than 50 people, with 11% employing 50 to 99 workers, 6% between 100 and 249 workers, 3% 250 to 499, and 2% of respondents employ more than 500 people.

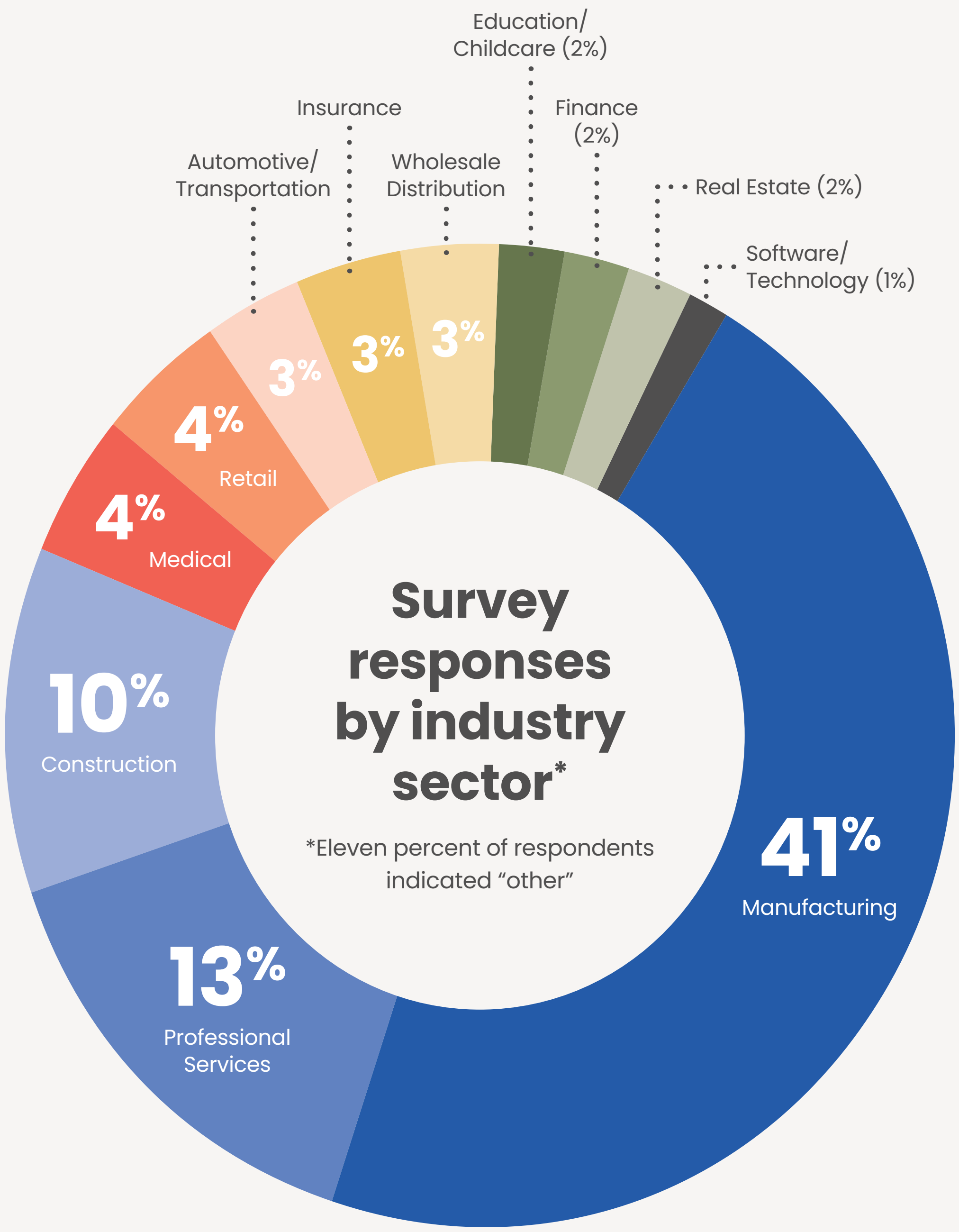
Nineteen percent of respondents represent privately held companies, 19% are S corporations, 8% are incorporated, and 18% are family owned.

Other represented businesses include limited liability corporations (11%), woman-owned (7%), veteran-owned (3%), minority-owned (1%), publicly held (1%), foreign-owned (1%), and 1% are employee-owned.

Manufacturing companies make up the largest percentage of respondents (41%), followed by professional services (13%), construction (10%), medical (4%), retail (4%), automotive/transportation services (3%), insurance (3%), wholesale distribution (3%), finance (2%), education/childcare (2%), real estate (2%), and software/technology (1%).

Thirty-seven percent of respondents have their primary location in Hartford County, followed by New Haven (24%), Fairfield (14%), Middlesex (9%), Litchfield (6%), New London (4%), Tolland (3%), and Windham (2%) counties.

Percentages referenced in this report are rounded to the nearest whole number and those used in charts and tables may not always total 100%.


Education/
Childcare (2%)
Insurance
Finance
(2%)
Automotive/
Transportation
Wholesale
Distribution
Real Estate (2%)
Software/
Technology (1%)
3%
3%
3%
4%
Retail
4%
Medical
Survey
responses
by industry
sector*
*Eleven percent of respondents
indicated "other"
10%
Construction
41%
Manufacturing
13%
Professional
Services