2024 Survey of Connecticut Businesses

Introduction

> **The opportunities for Connecticut's economy are limitless—what's needed is the commitment to realize them.**
>
> **Chris DiPentima** | President & CEO, CBIA

CBIA's 2024 Survey of Connecticut Businesses—the 22nd annual edition, made possible again through the generous support of Marcum LLP—captures the state of business in Connecticut at an important transition point.

It's been four-plus years since the pandemic shut down the state, national, and global economies—years that brought change and rapidly evolving business models, consumer behavior, careers, and workplaces.

The key question is this: what's next for Connecticut? While it can be argued that the pandemic made us a stronger state, old issues and new await as the state charts its future course.

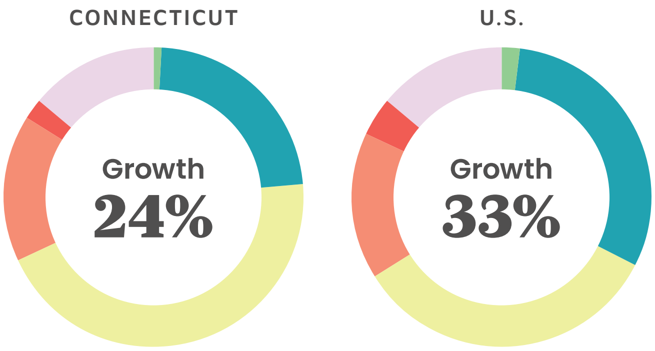
Federal pandemic relief funds—a critical lifeline over the past four years that kept tax hikes at bay as government spending increased—will no longer be available when the Lamont administration and the legislature hammer out the state's latest two-year budget next winter and spring.

Numerous special interest groups are pushing policymakers to weaken the state's fiscal guardrails, a key component of the critical 2017 budget reforms that the legislature extended just last year and the reason the state is, for now, on such firm financial footing.

CBIA surveyed more than 2,700 top business executives on the heels of the 2024 Connecticut General Assembly session, one that fell short of leveraging that fiscal strength to address economic roadblocks and set a strategic course for continued growth.

While workforce remains a priority issue for businesses throughout the state, survey respondents make it clear that costs continue to increase—in what already is one of the most expensive states in the country to run a business—and state government mandates and regulations remain significant hurdles.

Contents



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

- Strong growth (1%, 2%)
- Moderate growth (23%, 31%)
- Static (45%, 34%)
- Moderate contraction (16%, 16%)
- Strong contraction (2%, 4%)
- Unsure (14%, 14%)

Those challenges are reflected in CNBC's 2024 America's Top States for Business study, which dropped Connecticut one place to 32nd, with the state's top 10 rankings for education and quality of life offset by concerning declines in the business friendliness and technology and innovation categories.

This report provides a snapshot of the state's current economy, expectations from business leaders for the future, and insights into what makes Connecticut both an attractive and challenging state to do business.

Key Findings

- Almost nine in 10 surveyed firms say the cost of doing business is increasing, citing labor costs, goods and supplies, and state taxes
- 78% report difficulty finding and retaining workers and 46% list employee recruitment and retention as their top investment priority
- The lack of skilled job applicants (33%) and the state's high cost of living (21%) are the main factors hampering growth
- 60% say the availability of affordable, quality childcare is important for recruiting and retaining talent
- Only 8% of executives believe the state's business climate is improving, 41% say it's static, and 39% say it's declining
- 73% of businesses reported profits in 2023, down three points from 2022, with 13% breaking even and 14% posting losses
- 28% expect to grow their workforce in the next six months and 8% expect a decline

Connecticut Economy

Fueled by their resilience overcoming pandemic-era challenges, business leaders are looking to write their next chapter with a more optimistic economic outlook.

However, caution abounds, with almost half (45%) of survey respondents expecting static economic conditions for the state over the next 12 months, up three points from our 2023 survey.

Twenty-four percent expect the state's economy to expand, virtually unchanged from last year, and 18%

forecast a contraction, down three percentage points from the 2023 survey. Fourteen percent are unsure.

Business leaders expressed confidence in the administration's fiscal responsibility track and emphasis on state spending limits, but feel the state legislature is largely "anti-business" and lacks focus on the needs of small businesses, the heartbeat of the state's economy.

In late May, both Moody's Ratings and Fitch Ratings upgraded Connecticut's general obligation bond ratings from "stable" to "positive," citing improved fiscal health. Both agencies issued cautionary notes with their upgrades, noting the state's long-term unfunded liabilities, ongoing moderate economic growth, and the consequences of diluting the fiscal guardrails.

Fitch said its revision reflected the view "that Connecticut is likely to see medium-term revenue growth at or slightly above Fitch's long-term expectations for national inflation, while the state maintains its renewed commitment to budgetary guardrails that constrain expenditure growth."

"Connecticut's robust fiscal resilience is bolstered by statutory mechanisms supporting accumulation of reserves including setting aside in the budget reserve fund volatile revenue collections over specific thresholds and a required excess margin of revenues over budgeted spending," the agency noted.

When it comes to the U.S. economy, Connecticut business leaders are more optimistic, with 33% expecting national economic conditions to improve in the next 12 months, up four points from last year.

Thirty four percent forecast unchanged conditions and 20% predict a contraction—an improvement over the 27% who forecast a decline in last year's survey.

Connecticut's labor shortage continues to be a pressing issue. As of June 2024, Connecticut has 93,000 job openings, 33% more than pre-pandemic levels—1.3 job openings for every unemployed person, compared with 1.1 nationally.

While job openings remain at historic highs, the labor force—those working or actively looking for employment—has declined by 23,300 people (-1.2%) since February 2020. Connecticut and New Hampshire are the only New England states to post a decline over that period.

Rhode Island's labor force has grown 3%, followed by Vermont (1.7%), Massachusetts (0.6%), and Maine (0.4)%. The U.S. labor force has expanded 2.4%.

As of July, Connecticut's year-over-year job growth rate is 1% (17,700), 38th best in the country, with the national average at 1.6%. The state's high cost of living—driven by high taxes and our energy, housing, and childcare costs—is a key factor, and is discussed in detail later in this report.

Vermont's 12-month job growth rate is 2.3%, the best of the New England states and ninth highest in the country. New Hampshire's year-over-year growth rate is 1.4% (27th), followed by Rhode Island (1.2%; 34th), Massachusetts (1.1%; 36th), Connecticut, and Maine (0.9%; 39th).

Education and health services has experienced the strongest growth of all sectors over the past 12 months, adding 12,400 jobs (3.5%). New Hampshire leads job growth in this space, with 5% year-over-year growth. Overall, education and health services jobs across New England grew 3%.

Employment in three of the state's 10 main industry sectors declined in size in the 12 months through July 2024, led by trade, transportation, and utilities, which

> Two-thirds of Connecticut businesses turned a profit last year, adapting and innovating to successfully navigate a series of challenges and position themselves for continued success.
>
> **Dan Villecco,** Assurance Partner, Marcum LLP

lost 3,500 jobs (-1.2%). Professional and business services declined by 1,300 jobs (-0.6%), while the information sector lost 1,000 (-3.2%)—slightly better than the 3.4% decline across the region.

Manufacturing is a key driver of Connecticut's economy. Sector employment was unchanged over the last 12 months and remains 2,400 below pre-pandemic levels (-1.5%), despite an estimated 9,000 job openings.

Employment in another critical economic sector, financial activities, grew by 700 in the last 12 months (0.6%), but remains 3,700 below pre-pandemic levels (-3%).

Connecticut has recovered 105% of the historic 298,300 jobs lost to pandemic shutdowns and restrictions in March and April of 2020. Maine leads the region at 119%, followed by New Hampshire (118%), Connecticut, Rhode Island (103%), Massachusetts (101%), and Vermont (97%). The U.S. recovery rate is 129%.

Overall, four of the state's main industry sectors have regained all pandemic job losses and are in growth mode: construction (145%), education and health services (130%), professional services (117%), and trade, transportation, and utilities (109%).

The leisure and hospitality sector has regained 98% of COVID-19 losses, followed by government (95%)—which includes local, federal, and state government and casino employment—other services (92%), manufacturing (80%), information (50%), and financial activities (-16%).

Connecticut's overall unemployment rate is 3.6%, the second highest in the region after Rhode Island (4.1%) and 28th best of all states, with the national rate at 4.3%. Connecticut's 64.6% labor force participation rate is 19th best in the country and almost two points better than the national rate.

Turnover in Connecticut workplaces is among the lowest in the country. The voluntary quits rate is just 1.9%, eighth lowest of all states.

Average annual salaries rose 3.1% ($2,545) in Connecticut in 2023, with all major industry sectors posting increases. Workers earned an average $83,782 last year—fifth highest in the country—based on U.S. Bureau of Labor Statistics data.

Nationally, average wages rose 3.4% to $72,357, with percentage increases ranging from 5.4% in West Virginia to 0.9% in New York. Massachusetts workers earned the highest average wage ($91,504), followed by New York ($91,352), Washington state ($88,482), and California ($87,531).

Connecticut personal income grew 5.2% in 2023, 19th fastest in the nation. At $87,447, the state's per capita personal income is the second highest in the country, just behind Massachusetts ($87,812).

The U.S. average was $68,531, with a growth rate of 5.2%. The New England region—with average per capita income of $82,801—averaged 4.6% growth, led by Vermont (5.5%).

U.S. Bureau of Economic Analysis data shows Connecticut's economy expanded 2.1% in 2023, 31st fastest in the country, after growing 2.9% (7th) in 2022. Regional GDP grew 1.8% last year, with the national economy growing 2.5%.

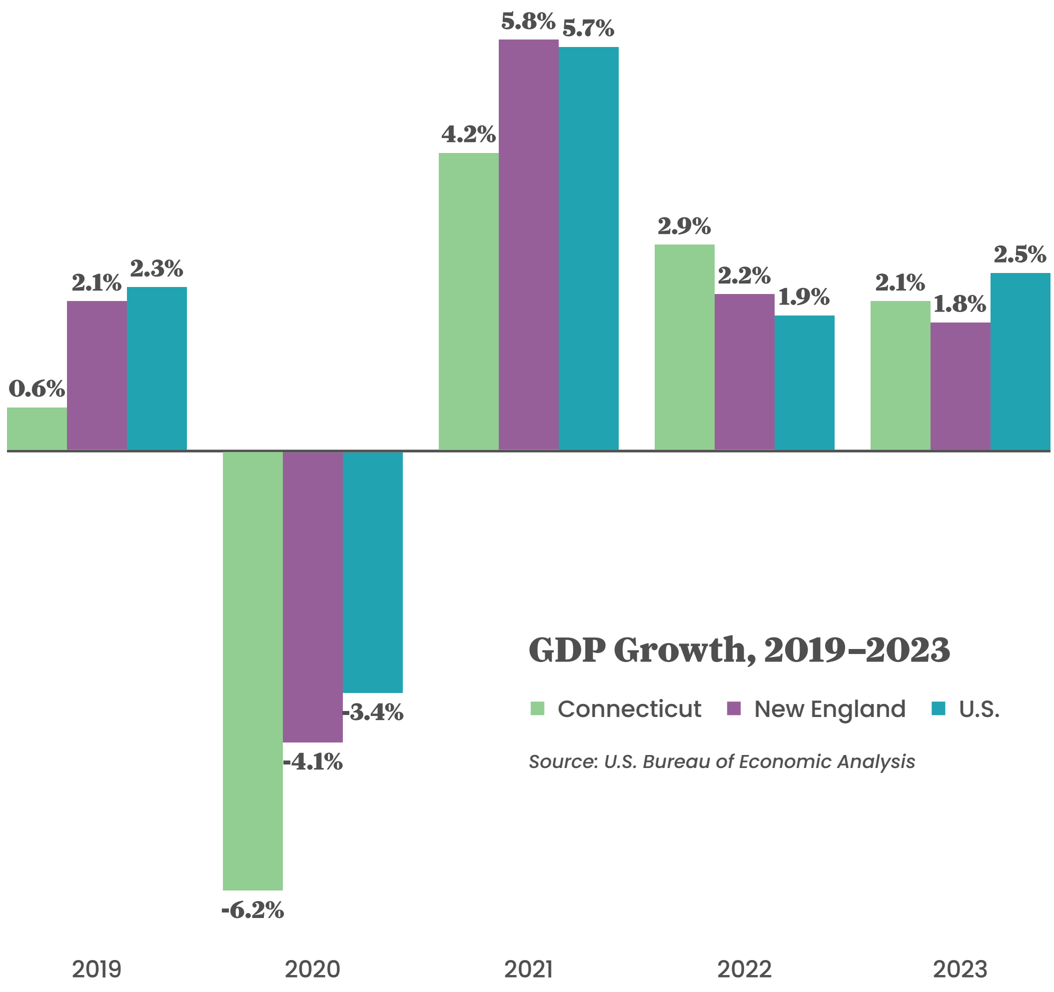
Connecticut's economy had a sluggish start to 2024, posting 0.7% growth in the first quarter. The New England regional economy expanded 1% in the first three months of this year, while national GDP grew 1.4%.

Connecticut's $351.4 billion economy accounts for 24.3% of New England's $1.44 trillion GDP, and is the second largest in the region behind Massachusetts ($759.5 billion).

Fourteen of the 23 industry sectors that BEA tracks posted productivity gains in the first quarter, led by the finance and insurance sector, which expanded 0.61%. Administrative services grew 0.31%, followed by construction (0.16%), arts, entertainment, and recreation (0.12%), military (0.12%), retail trade (0.11%), agriculture (0.09%), healthcare (0.07%), transportation (0.05%), federal government (0.05%) educational services (0.03%), wholesale trade (0.02%), and management (0.01%).

Durable goods manufacturing shrank 0.55% in the first quarter, followed by utilities (-0.20%), professional services (-0.15%), nondurable goods manufacturing (-0.08), information (-0.03%), real estate (-0.03%), and state and local government (-0.03%).

Connecticut commodity exports increased 3.2% to $15.85 billion in 2023 amid notable shifts in the state's trading partners. U.S. Department of Commerce data



indicates companies exported $494 million more in goods in 2023, with six of the state's top 10 export markets posting increases.

That increase highlights the strength and resilience of the state's export activities, with overall U.S. exports falling 2.3% to $2.02 trillion last year, as the top five exporting states all posted declines.

Connecticut exports have yet to fully recover from pandemic disruptions, with 2023 shipments about $879 million (-5.4%) below 2019 levels.

Canada overtook Germany as the state's largest export market in 2023, with commodity sales increasing $48 million (2.3%) to $2.12 billion.

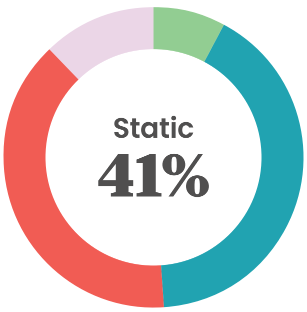
At $4.75 billion, aircraft, spacecraft, and parts represented the greatest share of commodity exports, up 0.9% from 2022. Exports of industrial machinery reached $3.76 billion (16.4%), followed by electric machinery ($1.53 billion; 18.5%), optic, photo, and medical equipment ($1.29 billion; -3.6%), and special classification provisions ($663.25 million; 44%).

Connecticut is the number two exporter in New England behind Massachusetts, which shipped $35.3 billion in goods last year, an increase of $2.67 billion (8%). Overall, New England's commodity exports increased 3.88% last year to $66.64 billion, with Canada, Germany, Belgium, China, and Mexico the top five markets.

Business Climate

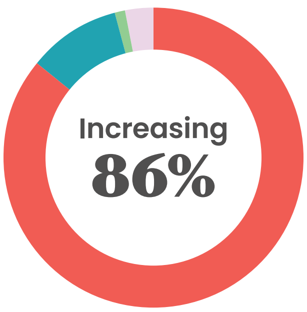
Perception of the state's business climate did not shift significantly from our 2023 survey, with 41% of respondents describing it as static, while 39% view it as declining, a six-point increase from last year. Only 8% believe Connecticut's business climate is improving, down two points from 2023, and 12% are unsure.

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



- Improving (8%)
- Static (41%)
- Declining (39%)
- Unsure (12%)

Is the cost of doing business in Connecticut...



- Increasing (86%)
- Remaining the same (10%)
- Decreasing (1%)
- Unsure (3%)

Those seeing an improvement in the business environment point to changing public perception (31%) as a driving force. Others say it is the availability of skilled workers (18%). A combined 35% say support from the administration, state agencies, state lawmakers, and municipal officials is having an impact.

"CBIA's efforts help make businesses part of the conversation and an important fundamental element of the economy," one survey respondent noted.

The majority of business leaders who feel

Connecticut's business climate is static or declining point to the lack of availability of skilled workers (22%) and labor mandates and regulations (20%) as key factors. Others point to a drop in Connecticut's public perception (9%), consumer protection mandates and regulations (8%), environmental requirements (8%), reduced support from the administration and state mandates (8%), and tax reporting (8%).

These findings underscore a complex business environment where stability is counterbalanced by notable challenges. While positive factors such as strong public perception and a skilled workforce contribute to the business climate, the decline in profitability and regulatory issues present ongoing hurdles.

In light of these challenges, the cost of doing business has become a critical concern. Regulatory burdens are having a direct impact on operating expenses, further influencing the overall business climate.

Eighty-six percent of respondents reported an increase in the cost of doing business in Connecticut, marking a five-point decline from the previous year, while 10% said costs remain the same, up four points from 2023, and 1% reported a decrease in costs.

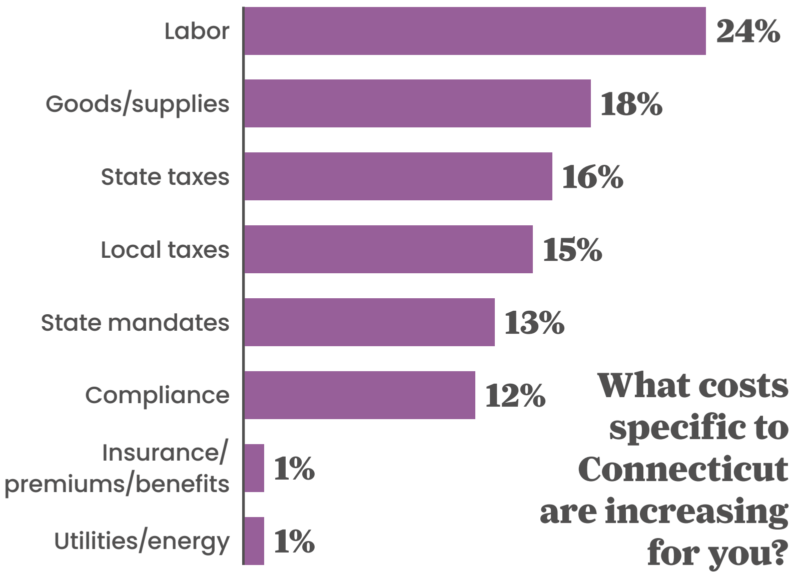
So what is driving increases? Twenty-four percent of respondents noted rising labor costs, followed by costiler goods and supplies (18%), higher state taxes (16%), increased local taxes (15%), state mandates (13%), increased compliance requirements (12%), insurance premiums (1%), and utilities or energy costs (1%).

Ninety-seven percent of surveyed businesses have primary facilities in Connecticut. Sixty-two percent cite proximity to customers and quality of life as the greatest advantages to operating in the state.

Nine percent highlight the state's skilled workforce as a key strength, along with access to major markets (9%), industry-specific ecosystems (6%), access to technology and innovation (5%), access to capital (1%), and access to state leaders (1%). Dozens of others also mentioned being close to home and/or family, while a handful of executives said there are no significant advantages to doing business in Connecticut.

Seventy-three percent of surveyed businesses reported making a profit in 2023, beating initial expectations. Thirteen percent broke even and 14% posted losses. This represents a three-point decrease from 2022, when 76% of businesses reported profits, 10% broke even, and 13% faced losses.

Looking ahead, projections for 2024 indicate profitability for 66%, with 18% expecting to break even and 8% anticipating losses.



Businesses with less than 50 employees are seeing more challenges year-over-year.

Seventy-three percent of small businesses reported profits for 2022, 15% experienced a loss, and 12% broke even. For 2023, fewer businesses reported making a profit (70%), a greater percentage of businesses experienced losses (17%), and 13% broke even.

Those who generated profits said sales, employee productivity, lower interest rates, and technology investments were among the contributing factors. One employer reported making drastic cuts to expenses across the line, including healthcare costs, to return to profitability.

Factors contributing to losses included the cost of goods and materials, labor shortages, inflation, capital investment challenges, decreased revenue, increased expenses, and rising gas costs.

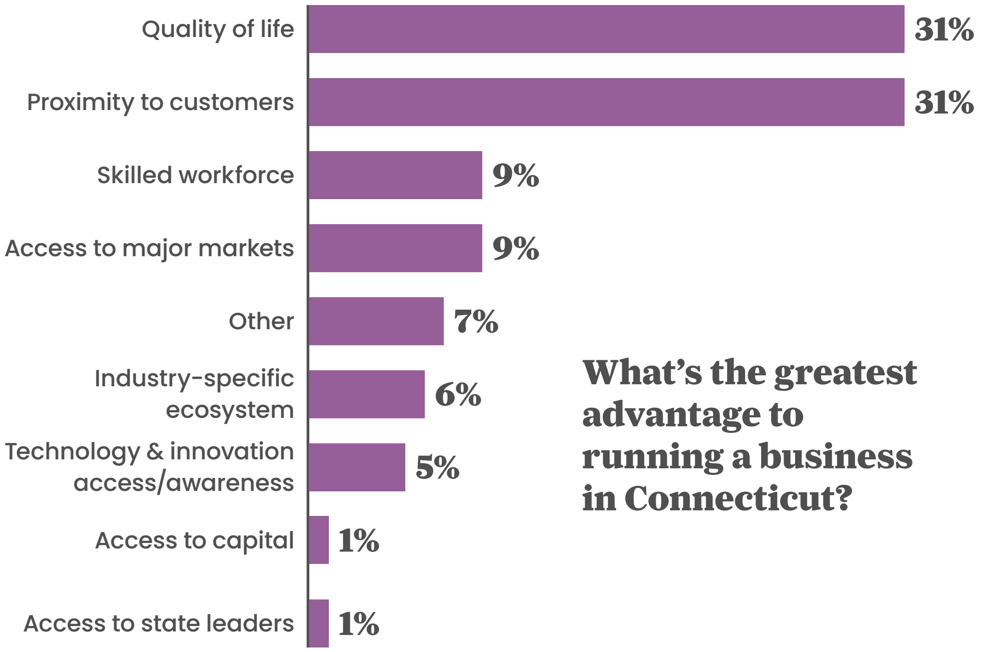
Forty-five percent of survey respondents reported that overall sales are holding steady, while 36% indicated growth, 16% noted a contraction, and 3% are unsure. Among smaller businesses—those with fewer than 50 employees—49% reported steady sales, marking a three-point increase compared to other businesses. Additionally, 33% of small businesses reported growth and 15% experienced contraction.

Sixty-five percent of companies produce their products and services in Connecticut. More than one quarter (36%) of firms introduced a new product or service this year. Thirty-three percent of companies plan to introduce a new product. Among those, 69% say the new product will be manufactured or supported in Connecticut.

When asked whether their company considered moving or expanding to another state, 73% of respondents indicated that they had not, while 14% of surveyed firms considered moving or expanding in another state—an 11-point decline over last year. Six percent have or are planning to relocate or expand elsewhere.

Businesses continue to explore relocation or expansion opportunities in several southern states, including Florida, South Carolina, North Carolina, Tennessee, and Texas.

Additionally, for the second consecutive



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

year, neighboring states such as New York, Rhode Island, New Hampshire, and Massachusetts were also considered. Factors driving relocation considerations include business mandates and regulations (22%), taxes (22%), labor costs (18%), energy costs (15%), proximity to customers (12%), and a larger workforce (5%).

Affordability

Workforce and affordability are dominating discussions among business leaders once again.

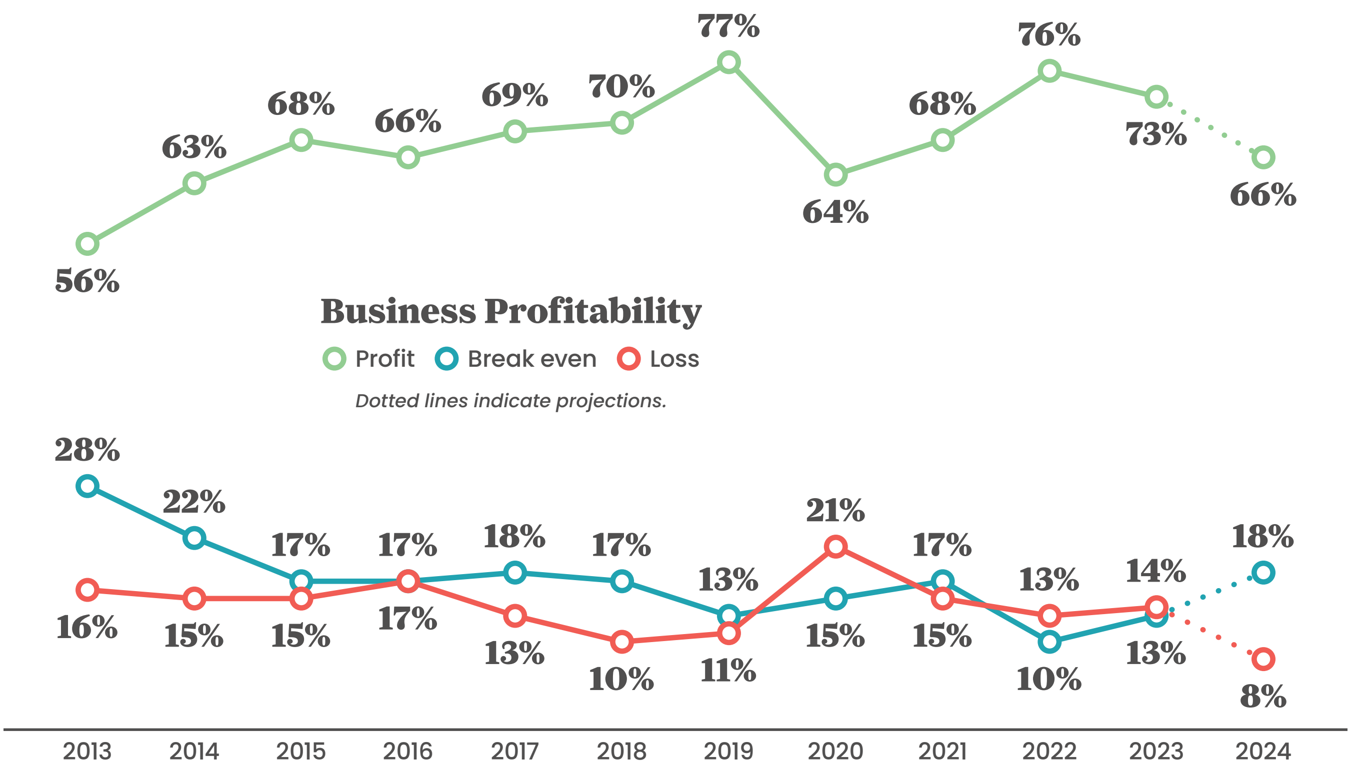
Survey respondents say the lack of skilled job applicants (33%) and the state's cost of living (21%) are the main factors hampering economic growth, followed by high business taxes (12%) and workplace mandates (9%), among other factors.

A number of business leaders also noted increased health insurance costs.

When asked what regulatory solutions would be most beneficial, 44% called for requiring any future proposed mandates to have a business cost impact study performed first. Thirteen percent of business leaders said a single state online portal for all agency programs would be a significant benefit.

Similarly, 9% of respondents said they would benefit from a government concierge program to help navigate across various agencies, while 11% support using artificial intelligence to eliminate outdated and redundant regulations.

Amid cost considerations, inflation and supply chain issues again emerged as significant stressors. Although inflation has decreased to 2.9%, closing in



on the Federal Reserve's 2% goal, rising costs continue to pose difficulties for Connecticut businesses.

This year, 80% of respondents reported being affected by inflationary pressures, with 12% indicating no impact, a three-percentage-point increase from the previous year.

Many businesses said they had no choice but to raise prices this year to combat inflation. Others said they limited new purchases and wage increases. One respondent noted the company's owner declined to take a salary in an effort to minimize costs.

Supply chain disruptions also continued to impact operations, with numerous survey respondents experiencing lead times that were "unimaginable" just a few years ago. More than half (62%) of respondents were impacted by supply chain issues, while 38% of respondents were not.

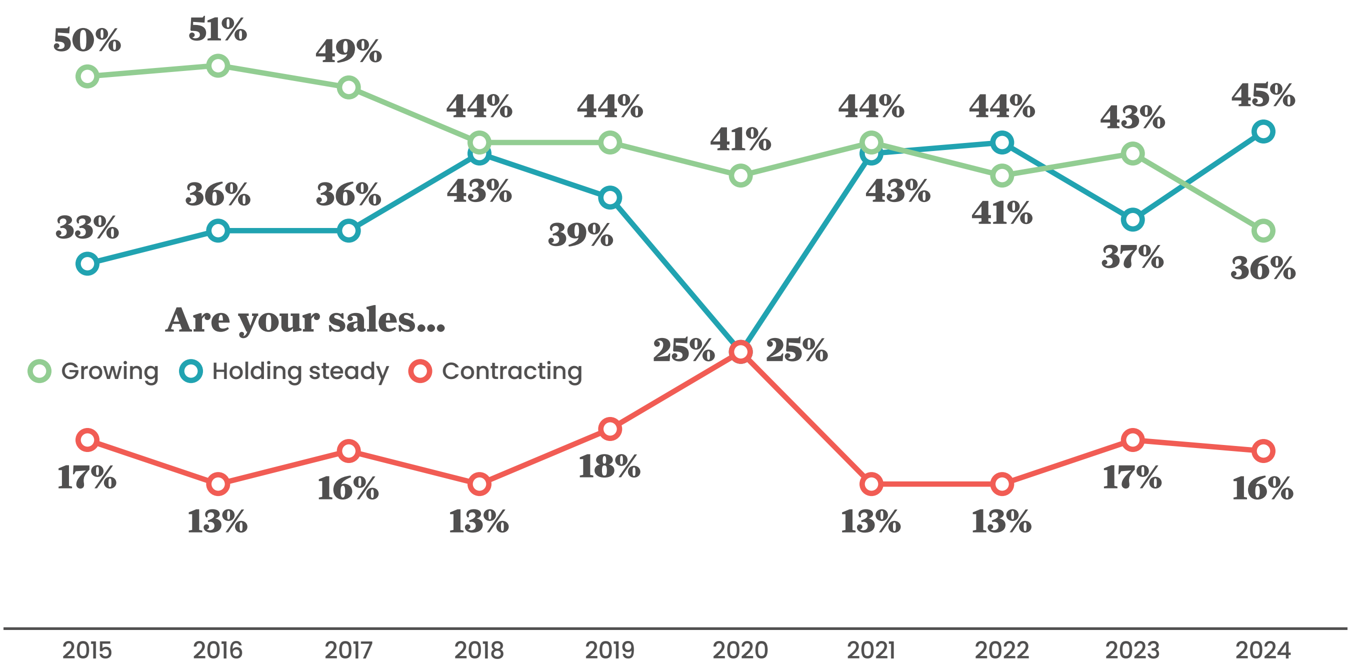
A number of techniques were employed to navigate these challenges, including diversifying suppliers (29%), building up inventory (27%), identifying backup suppliers (24%), adjusting costs (11%), and adopting risk management tools (5%).

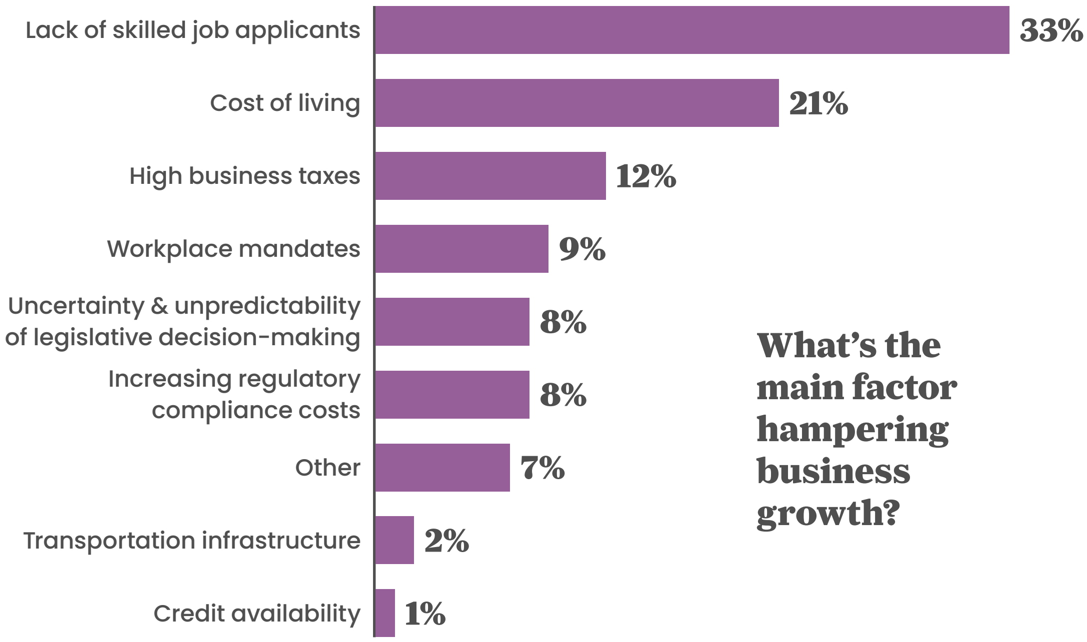
"We're trying to order well in advance," one business leader wrote. "We bought more inventory so we would have it when the customer needed it," noted another.

A handful of executives said they were waiting for improvements and taking some risks, anticipating that lead times will decrease.

"We are accepting less profit by hanging onto our skilled staff while our customers deal with supply chain delays," one survey respondent wrote.

While Connecticut business leaders recognize the limitations state lawmakers have with respect to inflation and supply chain issues, they say legislators



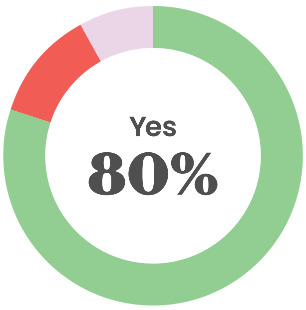


What's the main factor hampering business growth?

can help businesses in other areas—such as cutting back on mandates and regulations that drive additional cost burdens.

In the face of these economic strains, businesses are adapting in various ways, although these challenges also exacerbated existing workforce issues.

"Continue to stay within the fiscal guardrails and do no harm," one respondent emphasized.



Is inflation a challenge for your business?

- Yes (80%)
- No (12%)
- Unsure (8%)

Workforce

Although demand for products and services is on the rise, businesses are constrained by a persistent gap between job openings and the available workforce. This survey highlights the continued need to address this disparity to ensure economic growth and stability.

Of surveyed companies, 78% say it is difficult to find and retain workers—a three-point decline from last year. The main challenges businesses face finding workers is a lack of required skills or expertise (30%), salary expectations that exceed budget constraints (25%), inadequate work ethic, such as unreliability and lack of initiative (21%), competition from other employers offering higher wages and/or more comprehensive benefits (13%), and the state's high cost of living (7%).

Issues shift slightly when employers discuss employee retention. Fifty-three percent of businesses

> **As this survey shows, Connecticut businesses continue to demonstrate their resilience, overcoming cost and workforce challenges and positioning for future growth. Sustaining that growth requires policies that lower costs for employers and employees and expand talent pipelines.**
>
> **Michael Brooder,** Hartford Office Managing Partner, Marcum LLP

cite competition from other employers offering better wages and more generous benefits as a significant factor. Additionally, 19% point to Connecticut's high cost of living, 8% mention fixed work schedules, 4% identify a lack of employee engagement and recognition, 3% highlight a lack of affordable healthcare benefit options, and 2% point to insufficient opportunities for advancement.

One respondent noted the aging workforce as a major factor exacerbating the labor shortage. As a large segment of the current workforce nears retirement, businesses are facing a shortage of experienced employees, which complicates efforts to fill positions with qualified replacements. This shift results in a loss of valuable institutional knowledge and experience, creating gaps that younger, less experienced workers may struggle to fill.

To combat the labor shortage, a majority of businesses are actively implementing strategies to attract and retain talent. Notably, 18% of companies are investing in apprenticeships and internship programs, which help develop a skilled workforce and create a pipeline of future employees.

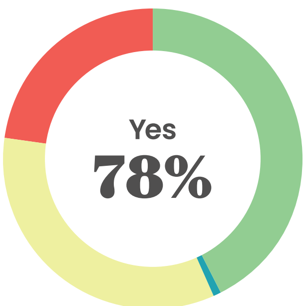
Ninety-one percent of these apprenticeships and internships are paid, 6% are unpaid, and the remaining 3% offer compensation in the form of academic credits. Flexible paid time-off policies are utilized by 18% of businesses to offer greater work-life balance and appeal to a broader range of job seekers.

Employee engagement and recognition programs—which 14% of companies have adopted—aim to boost morale and improve retention by acknowledging and rewarding employee contributions.

Meanwhile, 10% of businesses are adjusting job requirements from education-based criteria to skill-based criteria, allowing for a wider pool of candidates who possess the practical abilities needed for the role.

Nine percent of respondents said they recently added remote work options, either fully or partially, to accommodate modern work preferences and attract talent seeking flexibility.

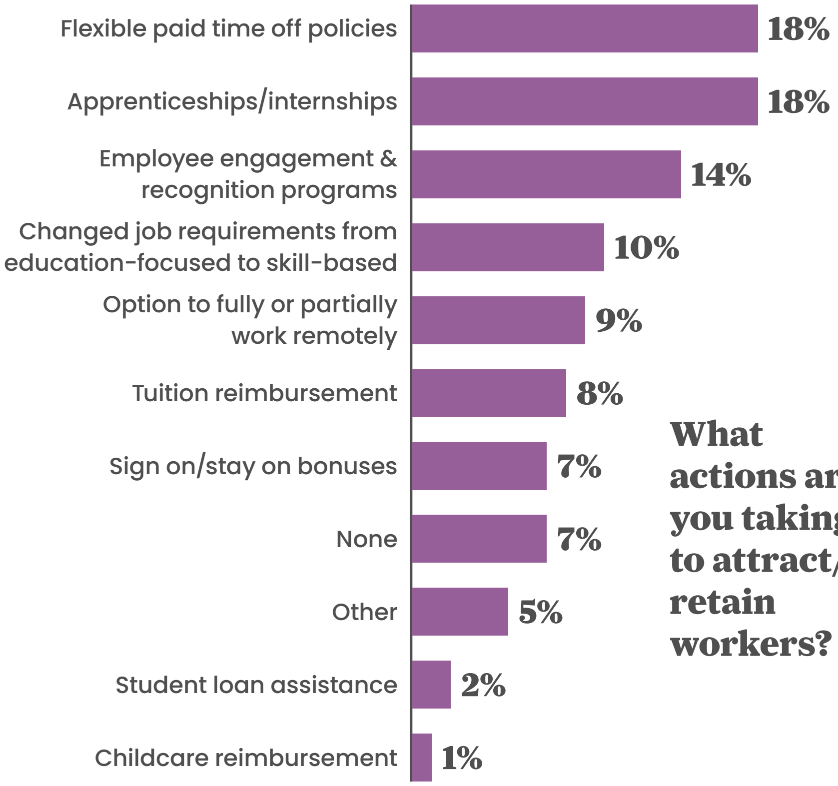
Is it difficult for your company to find and/or retain workers?



- Finding only (43%)
- Retaining only (1%)
- Both (34%)
- No difficulty (23%)

Tuition reimbursement programs, used by 8% of businesses, support ongoing employee development and education, helping to enhance skills

What actions are you taking to attract/retain workers?



and retain top performers. Other companies also indicated that they are tackling these challenges by providing extra incentives such as expanded benefits packages and additional perks.

Business leaders continue to prioritize investments in employee recruitment and retention efforts (46%)—as reflected by the state's low voluntary quits and turnover rates—with facilities also an investment priority (19%).

Workforce investments represent an eight-point increase from last year, highlighting a growing recognition of the importance of nurturing and developing talent in a competitive labor market. Coupled with an increase in facility investments, this reflects a strategic shift towards not only attracting skilled employees, but also investing in growth to meet demand for products and services.

With the increased investment in attracting workers, Connecticut employers are also raising wages across the board.

In 2023, Connecticut's annual average salary rose to $83,782, a 3.1% growth rate compared to a 4.4% increase in 2022. The national average annual wage rose 3.4% to $72,357.

Sixty-three percent of companies expect their workforce size to remain stable over the next six months. Meanwhile, 25% anticipate a modest increase, while 8% predict a decrease. Only 3% of businesses foresee a substantial increase in their workforce.

Looking ahead, companies planning to make changes to their workforce outlined several strategies. Forty-three percent expect to add more employees, 18% plan to invest in automation to streamline operations and increase efficiency, and 13% anticipate a greater reliance on temporary or part-time workers.

Additionally, 9% are considering adopting artificial intelligence applications to enhance capabilities and drive innovation, while only 6% foresee an increase in remote work, suggesting that many businesses may be reevaluating their remote work policies in favor of more traditional work environments.

For the third consecutive year, only 11% of surveyed executives believe that state government is effectively supporting workforce development initiatives in their industries. Forty percent of respondents feel that government is not doing enough, which represents a six-point decline from the previous year. Meanwhile, 49% of respondents are unsure about government efforts, reflecting a six-point increase from last year.

Businesses believe there are additional policy initiatives that Connecticut could implement to drive workforce development across industry sectors. These include reintegrating trades into the education system to better prepare students for technical careers, enhancing childcare policies to support working parents, and lowering taxes to create a more favorable business environment.

Additionally, many businesses support increased investment in vocational training programs and greater support for apprenticeships to build a more skilled and adaptable workforce.

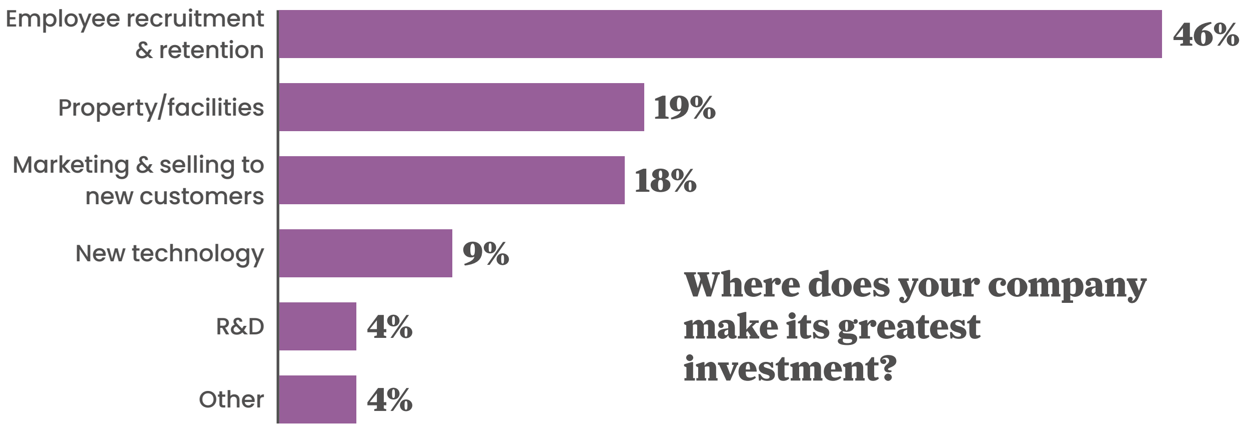
Forty-eight percent of employers say it takes between two to eight weeks to fill a position. Twenty-five percent say it takes between eight to 16 weeks, 16% more than 16 weeks, and 12% less than two weeks.

A significant portion of employers have distinct educational requirements—36% require a high school diploma or GED, 20% want a bachelor's degree, 19% seek candidates with certificate programs, and 7% expect a master's degree or higher.

Only 11% of employers have no formal education requirements. These educational demands can impact hiring timelines. Notably, some employers are lowering formal requirements and offering employees opportunities to upskill later in their careers.

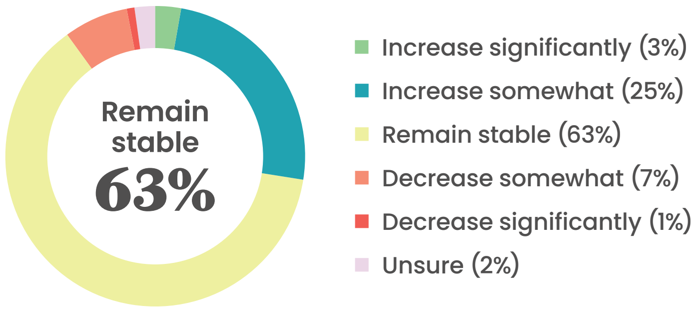
Thirty-one percent of companies surveyed said they are actively engaged with educational institutions as part of their workforce development strategies.

Among those that are engaged, they primarily collaborate with vocational technical high schools (29%), community colleges (22%), four-year institutions (19%), local public high schools (18%), and local private high schools (5%). Vocational technical high schools and community colleges often offer specialized training and technical skills that directly align with industry needs, helping bridge the skills gap and ensure a steady pipeline of qualified candidates.



Where does your company make its greatest investment?

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



To support workforce development, various state programs provide valuable assistance. The Department of Labor's apprenticeship programs are being used or planning to be used by 33% of companies. Additionally, 25% of employers use CareerConneCT, 10% participate in Regional Sector Partnerships, and 6% engage with the Tech Talent Accelerator.

Sixty percent of surveyed executives say the availability of affordable, quality childcare is important for recruiting and retaining talent. Still, 30% of companies do not list childcare as an item of importance and 10% are unsure about its impact.

Twenty percent of companies would consider investing in newly established public or private childcare funds in their region to benefit their employees and their families.

Business leaders and residents in eastern Connecticut have been vocal about the impact of what's commonly called a "childcare desert." This year, lawmakers took note, adopting several recommendations proposed by the state's Blue Ribbon Panel on Child Care.

The state House and Senate unanimously passed a bill that establishes a tri-share program in New London County, a private fund for childcare investments, and a one-time wage supplement for childcare educators. The tri-share program disperses the costs of services for working parents between the state, participating employers, and participating employees.

The success of this collaboration underscores the need for more partnerships, which are key to solving workforce challenges.

2024 Elections

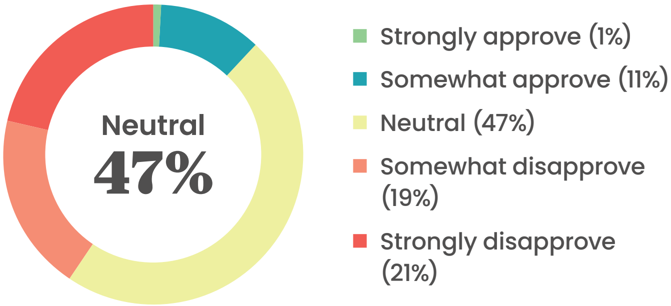
Connecticut's elected officials will play a large role in setting the future direction of the state's economy.

This fall, Connecticut will hold elections for all 187 seats in the General Assembly. Democrats currently control the state House of Representatives 98-53, while the 36-seat state Senate is controlled by Democrats 24-12.

How will the condition of Connecticut's economy and business climate impact voting behavior in November?

Connecticut's economic stability is in a very different place than it was even two years ago when voters took to the polls.

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



When asked what issues should dominate this year's election campaigns, business leaders put taxes (22%), state spending controls (19%), and economic growth (18%) at the top of their lists, followed closely by energy costs (12%) and workforce development (8%). Others said healthcare costs should be part of the conversation.

When business leaders were asked about major issue priorities for their employees and their families, affordability took a front seat, with respondents listing the cost of living (26%), healthcare (18%), and taxes (17%) as priorities.

This year's survey also asked business leaders to assess the state legislature's handling of the economy and job creation. Only 12% of respondents approve of lawmakers' performance in this area—down four percentage points from last year. Forty percent disapprove, down one point, while 47% are neutral, up from 43% last year.

"Stop creating new regulations and mandates," one respondent noted, while others also drew attention to unnecessary mandates." Added another: "Increasing economic, tax, and labor costs are driven by the legislature."

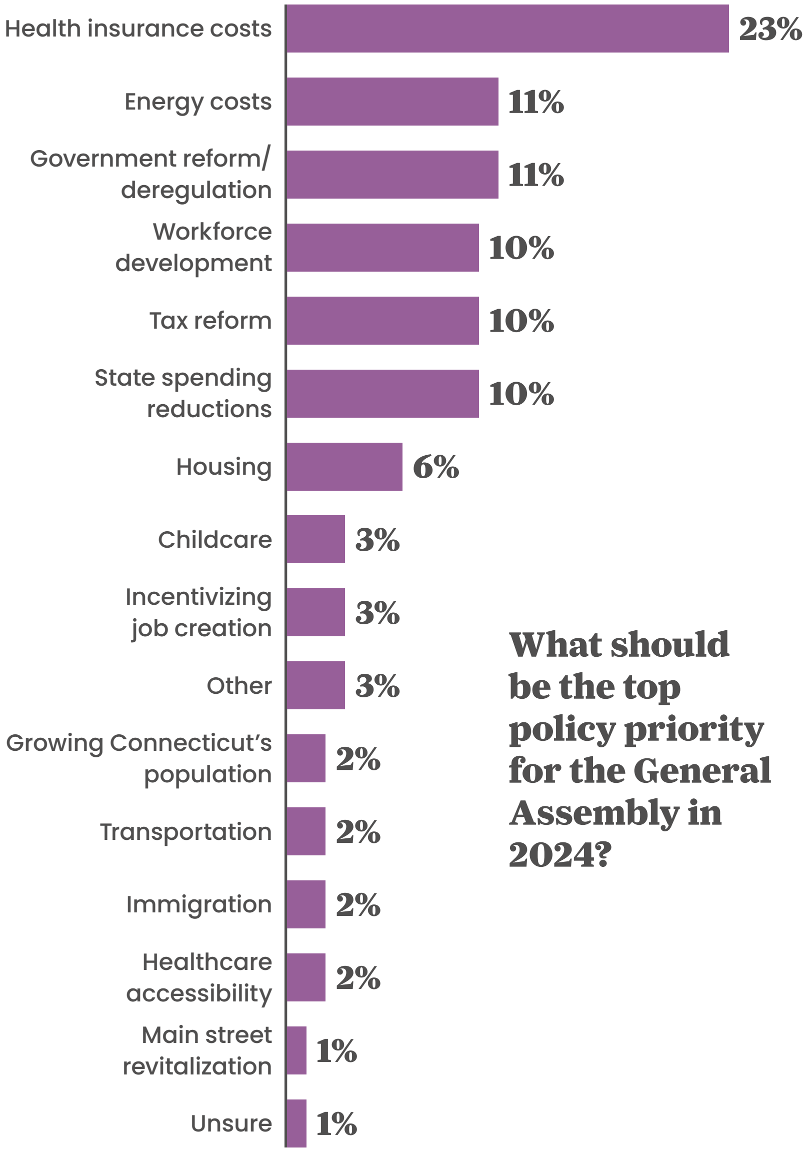
Small businesses were more skeptical of the legislature's performance, not surprising given their treatment over the last two legislative sessions.

One small business owner wrote that "the legislature is creating a business environment that destroys small businesses."

For instance, for a second consecutive session, lawmakers failed to act on bipartisan, transformational legislation addressing the lack of access to affordable, quality healthcare coverage for hundreds of thousands of small business employees.

Their frustration was compounded by the legislature's focus on additional costly workplace mandates, including a one-size-fits-all expansion of the state's paid sick leave law and a payout fund for striking workers—later vetoed by Governor Ned Lamont.

Employers feel that legislators often spend too much time and energy on costly, counterproductive measures, rather than addressing the state's real economic needs, with small businesses searching for legislative champions to help them survive, compete, and thrive.



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

Other areas business leaders want to see the legislature prioritize include energy costs (11%), government reform and deregulation (11%), workforce development (10%), tax reform (10%), state spending reductions (10%), and housing (6%).

It is no surprise health insurance costs are a major concern for businesses with less than 50 employees (24%), but even among businesses with more than 100 employees, 18% of respondents pegged rising health insurance premiums as a critical issue.

While most survey respondents offer health insurance as part of their employee benefit packages (88%), that is a four-percentage point decrease over last year. More than a quarter (37%) of businesses with fewer than 50 employees said their premiums increased by between 6% and 10% this year, while 26% saw increases between 11% and 15%.

Those findings reinforce that the small group health insurance market in Connecticut is broken—and the General Assembly, which has twice passed on adopting a meaningful, bipartisan solution, needs to act.

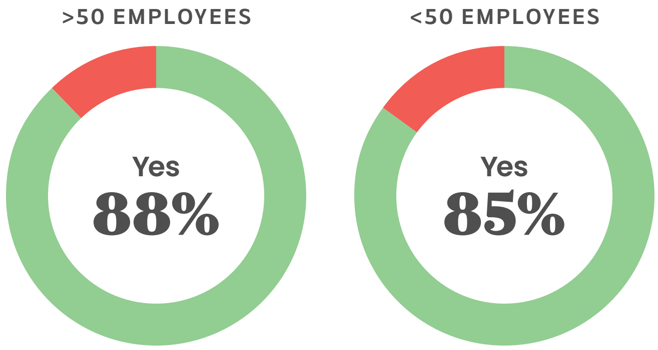
For businesses with more than 250 employees, respondents put energy costs (20%), workforce development (16%), and government reform and deregulation (13%) as top priorities for the General Assembly.

Businesses with less than 100 employees noted similar critical issues in addition to healthcare costs,

Conclusion

In CBIA's 2024 Survey of Connecticut Businesses, 23% of respondents put health insurance costs among the top issues they believe the General Assembly should prioritize in 2025. More than half (53%) indicated that they are not satisfied with the quality and cost of healthcare and insurance.

Does your company offer health insurance as part of its employee benefit package?



- Yes (88%, 85%)
- No (12%, 15%)

citing energy costs (11%), government reform and deregulation (11%), tax reform (10%), state spending reductions (10%), and workforce development (10%) as top issues for the legislature to take on in 2025.

Connecticut businesses are actively working to find ways to lower energy costs. More than half of respondents cited various steps they have taken to reduce the cost burden, including using third-party suppliers (23%), power purchase agreements (13%), and solar energy solutions (11%).

As these critical issues of healthcare, energy costs, and regulatory reform continue to shape the business landscape, they are also poised to significantly influence the upcoming 2024 elections.

The decisions made by voters will not only affect the immediate business environment, but will also set the stage for future economic policies and legislative priorities in Connecticut.

Given the state's unique challenges and opportunities, CBIA last year created the CBIA Foundation for Economic Growth and Opportunity, overseen by an advisory board of private and public sector leaders, that is focused on long-term economic growth strategies that go beyond the typical legislative session.

The foundation hosted more than 30 forums across the state in early 2024 that solicited ideas and perspectives from a diverse group of stakeholders, including business, nonprofit, education, and community leaders along with state lawmakers and administration officials.

In addition, the foundation's research team evaluated more than 25 reports and studies from 2018 to the present that addressed various aspects of Connecticut's economy, state government, and business climate.

Those research efforts framed the foundation's initial report and recommendations, released in September 2024 as a long-term roadmap for boosting the state's economic competitiveness, retaining and attracting investment and talent, fostering innovation, expanding career pathways, and driving economic growth.

The foundation will leverage current tailwinds and work collaboratively with public and private stakeholders to identify key challenges, opportunities, priorities, and solutions to drive long-term policies and initiatives that transcend election cycles and administrations—promoting business growth, job creation, and a vibrant economy that creates opportunities for all residents. ■

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.

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.

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 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 2024 Survey of Connecticut Businesses to more than 2,800 top executives throughout the state from June 11 to July 18, with a response rate of 14% and a margin of error of 2%.

Surveyed businesses have operated in Connecticut for an average of 48 years, with a range of one year to more than 200 years.

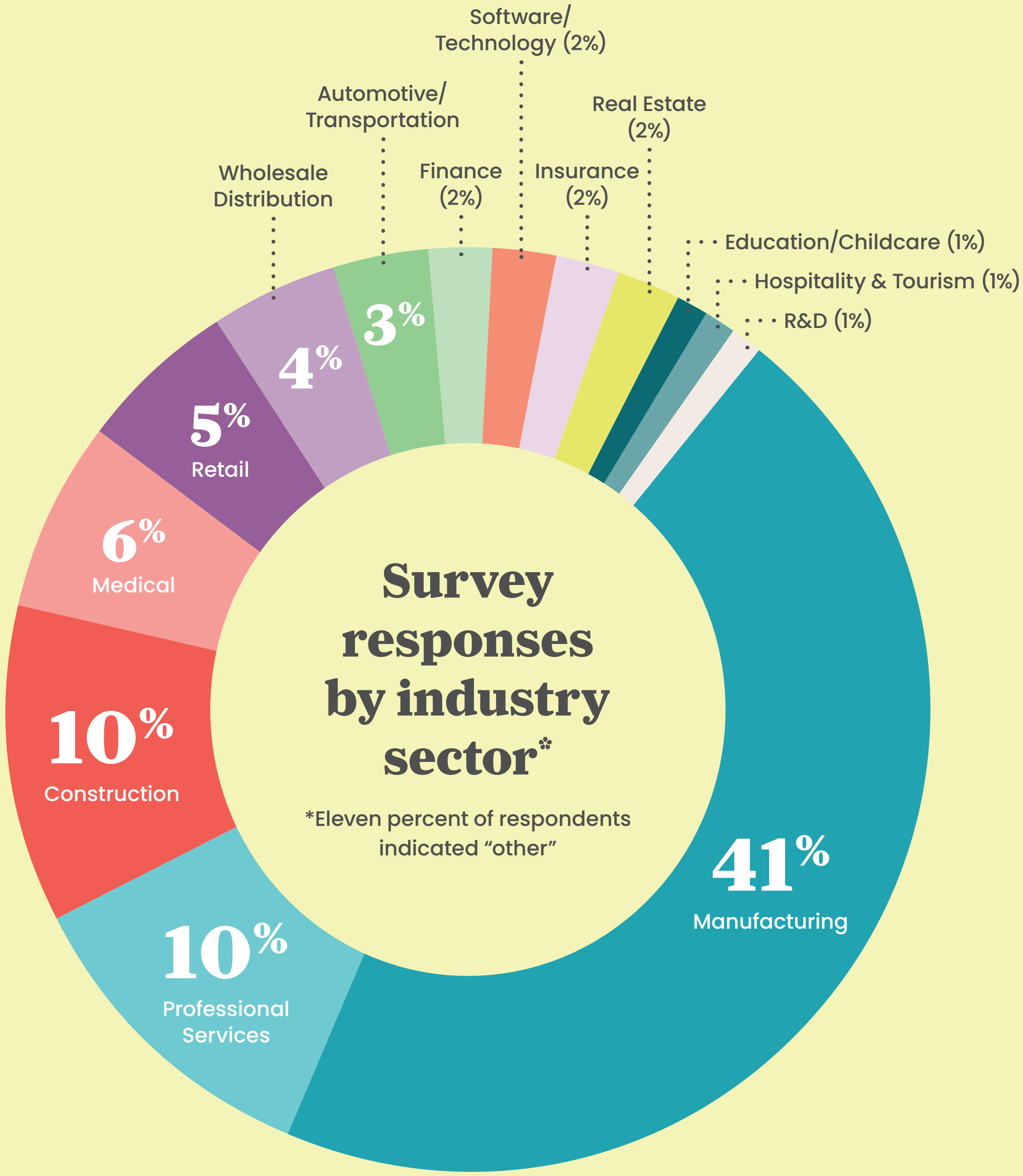
The majority (77%) of surveyed firms have less than 50 employees. Twelve percent of respondents have less than 100 employees, 8% employ 100 to 249 people, 2% have 250-499 employees, and another 2% have more than 500 employees.

Thirty percent of respondents represent S corporations, 17% are C corporations, 15% are limited liability corporations, and 11% are privately-held companies. Other represented businesses include woman-owned (6%), incorporated (5%), veteran-owned (2%), foreign-owned (1%), and 1% are employee-owned.

Manufacturing companies make up the largest percentage of respondents (41%), followed by professional services (10%), construction (10%), medical (6%), retail (5%), wholesale distribution (4%), automotive/transportation (3%), finance (2%), insurance (2%), software/technology (2%), real estate (2%), education/childcare (1%), hospitality and tourism (1%), and research and development (1%).

Thirty-eight percent of respondents have their primary location in Hartford County, while 24% of surveyed businesses say their primary location is in New Haven County, followed by Fairfield (13%), Middlesex (10%), Litchfield (7%), New London (4%), Tolland (3%), and Windham (1%) 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%.


Survey responses by industry sector*
*Eleven percent of respondents indicated "other"
41% Manufacturing
10% Professional Services
10% Construction
6% Medical
5% Retail
4%
Wholesale Distribution
3%
Automotive/ Transportation
Finance (2%)
Software/ Technology (2%)
Insurance (2%)
Real Estate (2%)
Education/Childcare (1%)
Hospitality & Tourism (1%)
R&D (1%)