

INTRODUCTION

Together, the Greater Hartford and Greater Springfield metropolitan areas represent New England's second largest population, education, and economic center.

Composed of Hartford, Tolland, and northern Middlesex counties in Connecticut, and Franklin, Hampden, and Hampshire counties in Massachusetts, this is one of the highest-potential regions in the nation.

The Hartford–Springfield Economic Partnership (HSEP) was formed by the governors of Connecticut and Massachusetts in 2000 and has since become the region's primary driver for economic development and regional competitiveness. Its members include 20 economic development, regional planning, and workforce development organizations and institutions of higher education, all united in advancing economic expansion in the region.

In 2007 HSEP, in partnership with the Connecticut Business & Industry Association (CBIA), commissioned the first-ever survey of business priorities and concerns in the interstate region. Subsequent surveys, conducted in 2009 and 2011, offered insights into the business challenges and strategies during and after one of the worst economic downturns in history.

This year, executives from more than 400 companies throughout the Hartford–Springfield area completed our survey. Results point to cautious optimism about future business conditions, along with lingering challenges for the region's economy.

CONTENTS

Introduction	1	► Workforce Development, Shortages	5	About the Sponsors	
Executive Summary		► Silver Tsunami	6	► Mass Mutual.	10
► Business Challenges	2	► Competition from Other States	7	► Simsbury Bank.	10
► Regional Assets	2	► Conclusion	8	► CRCOG	11
► Outlook	3	About the Survey		► PVPC	11
► Plans for—and Barriers to—Expansion.	3	► Methodology	9	About CBIA	12
► Transportation	4	► Demographics	9		

EXECUTIVE SUMMARY

Business Challenges

When asked what they think is the single biggest challenge to operating a business in the Hartford–Springfield region, the greatest share of respondents (47% in 2013, up slightly from 46% in 2011) identified a weak economy and decreased consumer spending. Next was the tax burden (cited by 21% of respondents) and shortage of skilled labor (15%).

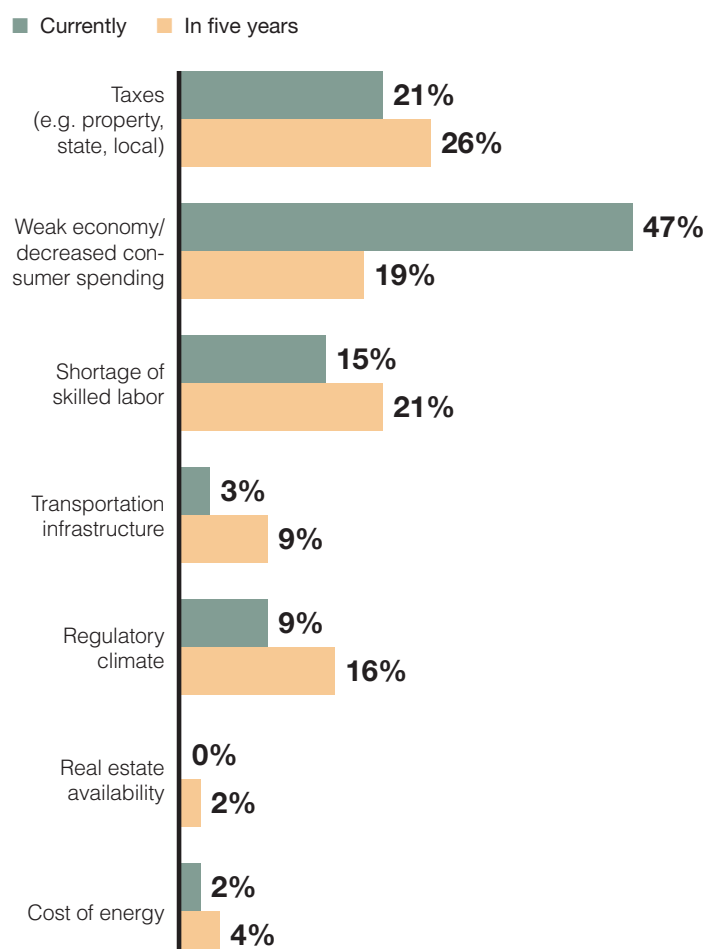
Business leaders anticipate the single greatest challenge five years from now will be taxes (26% of respondents), followed by a workforce shortage (21%) and a weak economy (19%). Sixteen percent see the regulatory burden as their most pressing business challenge over the next five years.

Regional Assets

The biggest benefit of running a business in the Hartford–Springfield region is the area's quality of life, cited by 47% of respondents. Proximity to customers (22%) and access to major markets (19%) also were identified.

Whereas 17% of respondents in our last survey (2011) said the availability of a skilled workforce was the key benefit of operating a business in the Hartford–Springfield region, only 7% believe that's the case this year.

What do you think is the greatest challenge to operating a business in the Hartford–Springfield region currently? In the next five years?



ARY

Outlook

We asked executives if—and when—they expect to see a robust recovery in the region's economy.

Only 8% were optimistic about this year. Nearly half (46%) believe the economy will not recover to pre-recession levels anytime soon. Forty-five percent expect a strong recovery but anticipate it will not take place until 2014 or later.

Forty-six percent of respondents believe economic conditions nationwide will improve in 2013, 30% believe they will remain stable, and 25% expect conditions to get worse. When it comes to the Hartford–Springfield region specifically, their outlook is more pessimistic: 30% believe there will be some improvement, 41% expect conditions to remain stable, and 29% expect conditions to deteriorate.

Business leaders were more optimistic about their own companies' performance. Forty-seven percent expect to see some improvement this year, 35% expect things will remain stable, and 21% expect conditions to worsen.

Most respondents (59%) reported a net profit in 2012. Twenty-eight percent broke even, and 13% reported a net loss.

More companies (61%) expect a net profit in 2013, and those expecting a loss drops to 8%. Roughly 32% of businesses surveyed believe 2013 will be a break-even year for them.

Plans for—and Barriers to—Expansion

Twenty-nine percent of respondents have operations or facilities outside the region, and 20% plan to bring those services or facilities into the Hartford–Springfield area. In fact, more than one in four businesses (28%) plan to expand their operations in the region over the next 12 to 24 months.

Of those, 59% expect to hire additional workers; 45% and 39%, respectively, will use online marketing and direct



"The survey results will help provide the guidance necessary for firms to work towards the continued growth

we desire in the Hartford–Springfield corridor. MassMutual looks forward to continuing to be an active participant in the strategies necessary to achieve these goals."

Jeffrey Schreiber | Vice President, Emerging Markets Leader, Retirement Services, MassMutual Financial Group



“Transportation improvements remain an important ‘to do list’ item, including more direct, well-priced flights from BDL, mass transit, and other solutions to traffic congestion. The good news is that the region is poised to act on all of these efforts in the next two to three years.”

Lyle Wray | Executive Director, Capitol Region Council of Governments (CRCOG)

Transportation

Transportation is a vital component of a region’s economy. The ability to move people and products efficiently and cost-effectively can be critical to business success.

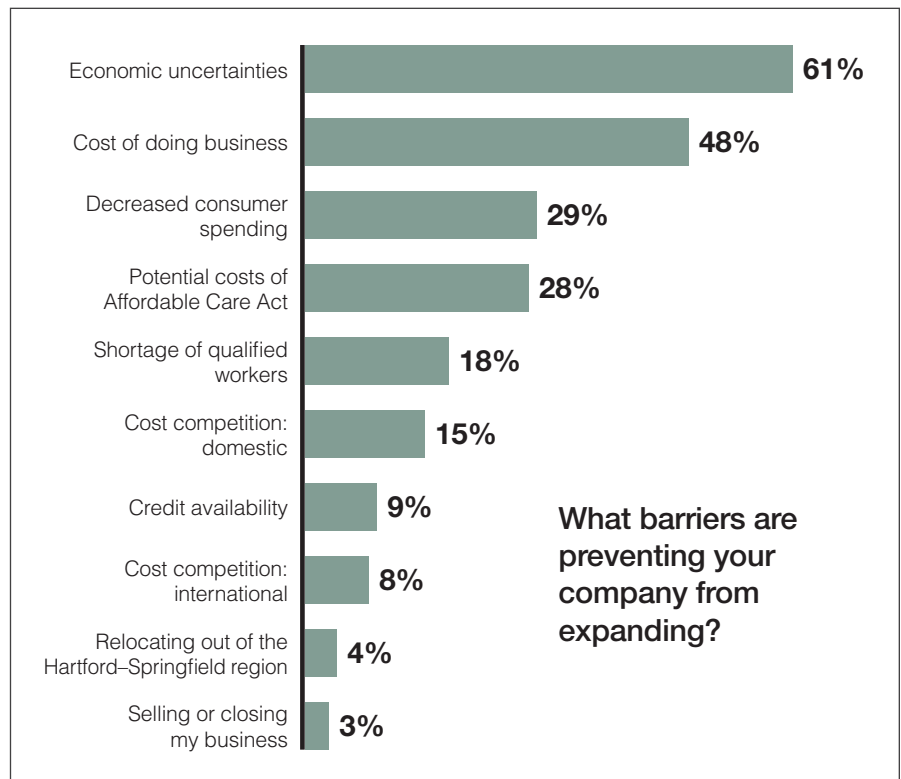
Four out of five companies surveyed in the Hartford–Springfield region use Bradley International Airport for business transportation; of those, 43% use the airport more than four times a year. (By comparison, fewer than one in three use Boston’s Logan International Airport or New York City airports for business transportation.)

When asked what would increase their usage of Bradley, 60% of respondents said more nonstop flights. In fact, almost twice as many respondents said an increase in direct flights (as opposed to cheaper fares) was the single most important improvement Bradley could make.

marketing to support their expansion efforts; and just about one-third plan to expand their facilities (30%), create strategic alliances (36%), invest in equipment (32%), or invest in new technology (32%). Employee training (29% of respondents), mergers and acquisitions (17%), and research and development (10%) also were identified as strategies for business expansion.

The majority of businesses (72%) do not plan on expanding in the region over the next two years. Five key barriers are cited:

- ▶ Economic uncertainties (61%)
- ▶ Cost of doing business (48%)
- ▶ Decreased consumer spending (29%)
- ▶ Potential costs associated with the Affordable Care Act (28%)
- ▶ Shortage of qualified workers (18%)



Twenty-seven percent said more flights generally would encourage greater usage of Bradley, and 19% wanted more international flights.

According to survey respondents, the chief transportation issue facing the Hartford–Springfield region is traffic congestion caused by a poor existing infrastructure (identified by 42% of businesses), followed by a lack of mass transit options (35%).

Employees of nearly all businesses surveyed (99%) use their personal vehicles to get to work. Roughly 40% of employees

in the Hartford–Springfield region travel less than 11 miles to work; 70% have a commute of 20 miles or less.

Only 8% of businesses named public transportation as a primary mode of transportation for their employees; carpooling was prevalent among 6% of employers.

A solid majority of businesses (64%) believe an intercity (New Haven–Hartford–Springfield) higher-speed commuter rail line would be an advantage for the region, and 20% contend that it would benefit their business directly, providing access to labor, additional business services, and other resources. Over 30% say they would offer employee incentives for using commuter rail, including shuttle services to and from rail stations, flexible work hours, or subsidized fares.



“This year’s survey is a sobering reflection of the impact on our region of the protracted slow economic recovery from the financial market crisis of 2008. Although respondents continue to cite the region’s quality of life as its major advantage, the percentage of respondents citing the region’s educated workforce as its top advantage declined. One of our region’s core strengths is an array of the nation’s finest colleges, universities, and community colleges. These educational institutions continue to produce a well-educated workforce that is, unfortunately, finding work opportunities elsewhere in the country rather than here.”

Martin J. Geitz | President & CEO,
Simsbury Bank

Workforce Development, Shortages

Known as New England’s Knowledge Corridor, the Hartford–Springfield region boasts the second most densely clustered concentration of educational institutions in the country.

Businesses surveyed benefit from this in a number of ways, including:

- ▶ Employee recruitment (59%)
- ▶ Access to interns (49%)
- ▶ Employee training (35%)
- ▶ Access to consultants/expertise (29%)
- ▶ Technology transfer (14%)
- ▶ R&D (16%)

Many also note that the technical training supplied by the area’s institutions of higher learning—in everything from IT to machining—is an asset for their business. In addition, they regard the region’s academic community as valued customers.



“As this survey validated, employers need young talent, and college students need the critical skills gained

from experiential learning. Student internships help employers find future employees who can be a great fit for their organizations. It’s a win-win. InternHere.com is a free service, launched by the Hartford-Springfield Economic Partnership, that facilitates connections between students and employers in all of Connecticut and Massachusetts. We encourage employers to use this free service.”

Nancy A. Scirocco | Vice President, Webster Bank; President, InternHere.com

Stronger partnerships between schools and small businesses—including internships, job fairs, worker placement, and incubator programs for startups—were identified as areas of interest for Hartford–Springfield employers.

Despite surplus labor in the marketplace, 59% of respondents are having trouble finding and retaining qualified workers—primarily, they say, because applicants lack the requisite skills for the jobs. In greatest

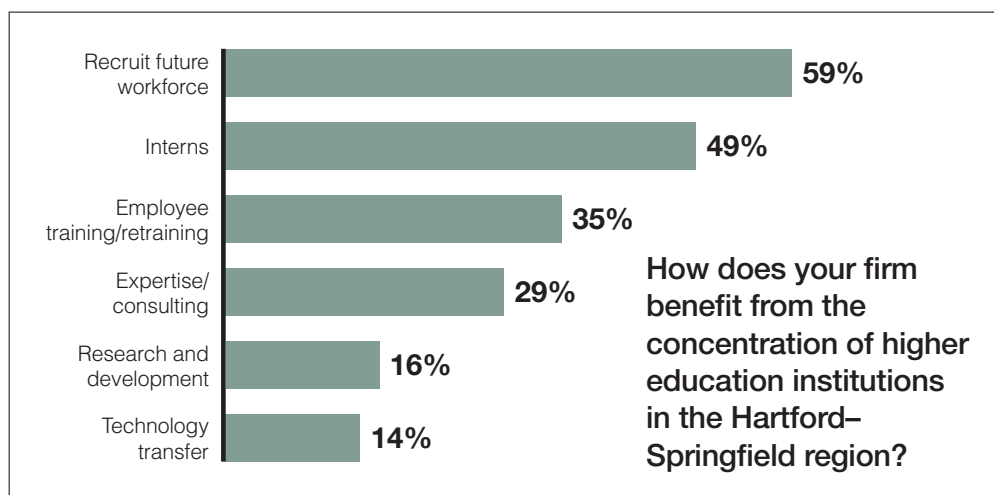
demand are professional/soft skills—punctuality, interpersonal skills, teamwork, leadership ability, and work ethic—cited by 73% of respondents. Also important are job-specific technical skills (identified by 47% of respondents); basic math, communication, and problem-solving abilities (38%); and advanced scientific, computer, and engineering skills (30%).

Nearly half of respondents say they benefit from interns through higher education institutions in the region, but only 17% know about InternHere.com. Given the desire to find skilled workers, this is a key resource respondents are not fully utilizing.

In a departure from our first (2007) survey of the Hartford–Springfield region, when 35% of respondents cited high housing costs as a significant barrier to employee recruitment and retention, virtually no one sees that as the case today. The region’s high cost of living, however, remains somewhat problematic, cited as a barrier both to retaining qualified workers (11% of respondents) and attracting younger workers (5%).

Silver Tsunami

The gap between labor needed and the number of workers available is projected to continue expanding.



Thirty-eight percent of businesses surveyed anticipate losing more than 5% of their workforce to retirement over the next five years. More than one in ten companies expect to lose at least 20% of their employees in that time.

To prepare for a largely retiring workforce, companies are (or will be) implementing leadership succession plans (34%) and job training (22%), ramping up recruitment (18%), and offering older-worker retention options (11%). Forty-six percent of companies, on the other hand, have not addressed the issue.

Some plan on selling their business within five years, and others expect to get lean—or simply get by—with fewer employees.

Competition from Other States

The United States Department of Labor reports that most mass job relocations occur from one U.S. state to another, as opposed to overseas locations. Competition between states is often intense, as the more businesses and high-quality jobs a state has, the stronger its economy and tax base.

Competition from other states is a very real concern for the Hartford–Springfield economy. Twenty percent of respondents have been approached by economic development bureaus in other states about relocating or expanding their businesses over the past five years.

The top seven states actively recruiting are North Carolina, South Carolina, Virginia, Texas, Florida, Kentucky, and Tennessee. Two years ago, 34% of Hartford–Springfield businesses

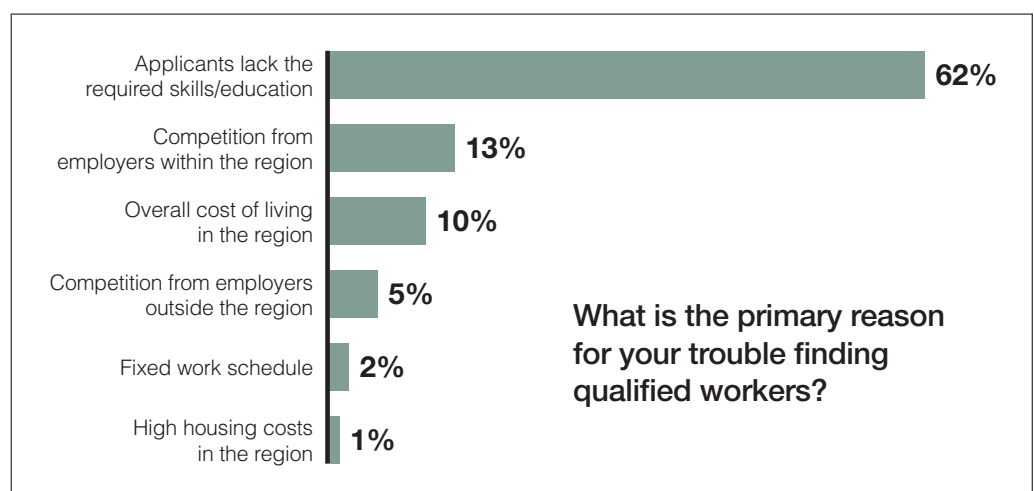


“After years of economic stagnation and uncertainty brought on by the Great Recession, survey results confirm the Knowledge

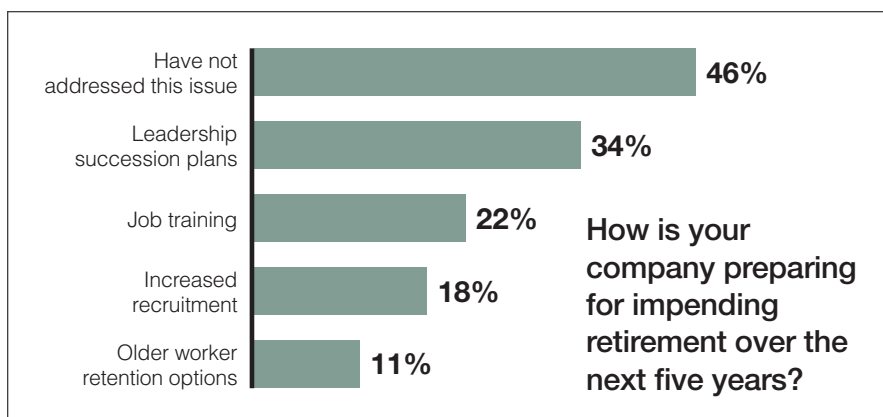
Corridor’s future looks bright and is poised for significant economic growth and expansion. In order to achieve that promising future, however, respondents also made clear that we must immediately tackle two formidable cross-border challenges, namely attracting and retaining an educated, skilled talent pool and building a world-class transportation system capable of navigating the 21st century.”

Timothy W. Brennan | Executive Director,
Pioneer Valley Planning Commission (PVPC)

approached by other states were solicited by North Carolina; today, that figure is 36%.



Even in the absence of offers from other states, many Hartford–Springfield businesses have considered relocating or expanding elsewhere (31%). Topping the list of potential destinations are Virginia, North Carolina, and South Carolina—with the latter two ranking high in terms of small-business-friendliness, including variables such as ease of starting a business, ease of hiring, and regulatory and tax burdens.



Conclusion

Most Hartford-Springfield area businesses expect to stay in business—and stay rooted in the area. However, that is less true today (71% of respondents) than it was in 2009 (85%).

Significant challenges remain as the region continues toward full economic recovery. These include an outdated transportation infrastructure, rising business costs, an aging workforce, and a shortage of job applicants with the right mix of professional and technical skills required for the jobs in greatest demand.

Bright signs from this year's survey include respondents' relative optimism about their own firms, prospects for near-term expansion plans, and plans to bring operations outside of Hartford–Springfield back into the area.



“New England’s Knowledge Corridor offers an amazing array of economic assets in a compact area, including a population, business base, and wealth that rival metro Denver and are far greater than those of Greater Charlotte, Austin, Texas, or North Carolina’s Research Triangle. But competitive pressures are real. The survey shows that many of our companies (20%) have been approached by other states to relocate or expand elsewhere, while 31% report they have considered such a move. Area lawmakers need to pay close attention to business climate issues to counter this dynamic.”

Douglas G. Fisher | Executive Director,
New England's Knowledge Corridor

ABOUT THE SURVEY

Methodology

The survey was e-mailed in March and April 2013 to businesses in the Hartford–Springfield region; 486 businesses responded.

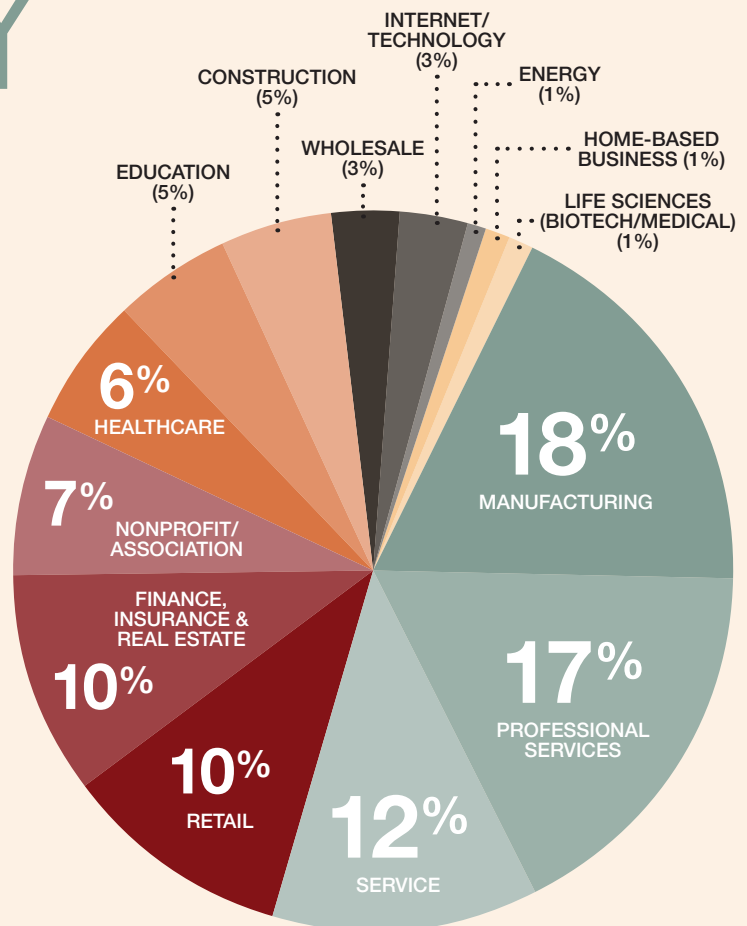
The Hartford–Springfield region is defined as Hartford, Tolland, and northern Middlesex counties in Connecticut as well as Hampden, Hampshire, and Franklin counties in Massachusetts.

The percentages quoted in this report relate to the number of respondents answering each question; thus the sample size for each question varies. In addition, all figures are rounded to the nearest whole number and may not total 100%. The margin of error is +/-4.5%.

For more information or additional copies of this report, please contact Peter Gioia at CBIA (860.244.1900) or visit cbia.com/business to download the report.

Demographics

An equal number of respondents were located in Massachusetts and in Connecticut, and 9% have operations in both states.



Most were smaller companies, employing fewer than 50 people. Companies size was as follows:

- ▶ Fewer than 10 employees (38%)
- ▶ 10-49 employees (34%)
- ▶ 50-99 employees (11%)
- ▶ 100-249 employees (8%)
- ▶ 250-499 employees (5%)
- ▶ 500+ employees (5%)

ABOUT THE SPON

MassMutual

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

MassMutual Financial Group is a marketing name for Massachusetts Mutual Life Insurance Company (MassMutual) and its affiliated companies and sales representatives.

MassMutual is headquartered in Springfield, Massachusetts, and its major affiliates include: Babson Capital Management LLC; Baring Asset Management Limited; Cornerstone Real Estate Advisers LLC; The First Mercantile Trust Company; MassMutual International LLC; MML Investors Services, LLC, Member FINRA and SIPC; OppenheimerFunds, Inc.; and The MassMutual Trust Company, FSB.

Visit massmutual.com.

Simsbury Bank

Simsbury Bank is an independent, publicly owned community bank for consumers and businesses based in Central Connecticut's Farmington Valley. Simsbury Bank's parent company is SBT Bancorp, Inc., whose stock is traded under the ticker symbol OTCBB: SBTB. The Bank serves customers locally through branches in Avon, Bloomfield, Granby, and Simsbury and regionally through mortgage and commercial bankers active throughout Southern New England. Simsbury Bank customers enjoy internet banking and mortgage services at, respectively, simsburybank.com and simsburybank.com/mortgages. Bank customers have free ATM access at thousands of machines across the country through the SUM program. The Bank offers financial planning, investment and insurance products through LPL Financial and its affiliates, member FINRA/SIPC.

Visit simsburybank.com.

SORS

CRCOG

The Capitol Region Council of Governments (CRCOG) is the largest of Connecticut's 14 regional planning organizations. CRCOG was established in 1968 as a voluntary association of municipal governments serving the City of Hartford and 29 surrounding suburban and rural communities. The CRCOG region is 840 square miles in size, and it houses approximately 800,000 people. CRCOG is dedicated to expanding the concept of voluntary cooperation among its member municipalities as the means to successfully respond to many of the region's challenges. A core value is strengthening the City of Hartford as the core of a strong region, and as our economic, social, and cultural center.

CRCOG members have collaborated for more than 40 years on a wide range of projects, including a joint purchasing council serving approximately half of the cities and towns in the state, the first regional geographic information system in the state, the first online building permitting system in the state serving 17 towns and cities, close collaboration and planning in public safety and homeland security across a variety of activities from disaster preparation to response, and the recent establishment of a municipal services bureau to advance "back office" opportunities in the region. As a partner in the Sustainable Knowledge Corridor, we have worked to advance a bi-state region that leaves the economy, environment, and social fabric in better shape for the next generation. This includes work on green infrastructure, innovative zoning models, and harnessing the benefits of major transportation investments for redevelopment of a number of communities.

Visit crcog.org.

PVPC

The Pioneer Valley Planning Commission (PVPC) is the public planning agency serving the planning, policy, development, and service needs of the Pioneer Valley region's 43 cities and towns and over 625,000 residents.

In the 21st century, that means creating a livable and economically competitive region that respects history, protects resources, supports technology, provides services, builds infrastructure, fosters education, and champions progress—all within larger regional, national, and global frameworks.

The Pioneer Valley Planning Commission is helping to shape the future of the commonwealth's 21st century heartland region as well as the interstate Knowledge Corridor.

We specialize in

- ▶ Smart plans
- ▶ Savvy partnerships
- ▶ Solid execution
- ▶ Sustainable mindset
- ▶ Strategic regional progress
- ▶ Successful collaborations

Visit our website at pvpc.org. Find out more about our latest projects, learn about our ongoing work, and discover how PVPC is the catalyst for regional progress in the Pioneer Valley, the Knowledge Corridor—and beyond.

Visit pvpc.org and sustainableknowledgecorridor.org.

ABOUT CBIA

Connecticut Business & Industry Association

CBIA is Connecticut's leading business organization, with 10,000 member companies. Our public policy staff works with state government to help shape specific laws and regulations to support job creation and make Connecticut's business climate competitive. Our councils, committees, and roundtables give our members forums in which to become involved in the legislative and regulatory processes.

One of CBIA's most important functions is to provide our members with information to help them better manage their businesses. We conduct training seminars and workshops; arrange for consulting services; and hold conferences on environmental regulations, health and safety, human resources, compensation and benefits, taxes, energy, and healthcare. Our free telephone consulting service gives members access to our experienced staff of professionals on a wide range of business topics.

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

Learn more at cbia.com.





350 Church St., Hartford, CT 06103-1126 | 860.244.1900 | cbia.com