

2008 Survey

Availability of

SKILLED WORKERS

in Connecticut



introduction

Innovation, quality and productivity are longstanding hallmarks of Connecticut businesses. The state is home to a diverse mix of companies of all sizes and sectors — among them, worldwide leaders in manufacturing, renowned finance and insurance firms, and innovators in research and development, professional services and retail trade.

Connecticut businesses have depended on the state's skilled workers to produce their products and services. However, a shortage of skilled workers is now affecting businesses of all types and sizes in every industry and each region of the state. It is a challenge made worse by the impending retirements of baby boomers, and an exodus of young people from the state.

The Connecticut Business and Industry Association (CBIA), Capital Workforce Partners and the United Illuminating Company conducted this Availability of Skilled Workers in Connecticut Survey in order to determine the perspectives of Connecticut businesses on the current and future workforce issues facing the state. The results help define the challenges currently facing businesses and help point the way to viable solutions — such as a more robust education and training pipeline to ensure a skilled workforce and make Connecticut businesses perennially competitive in the global marketplace.

As businesses strive to develop and grow within the state, it is imperative that they have a readily available pool of qualified workers. We hope these survey findings increase awareness of this pressing issue. We also encourage businesses, policymakers, educators and residents to work together to implement policies and actions that will help ensure that Connecticut remains a healthy and vibrant state for employers and employees alike, for generations to come.

**John R.
Rathgeber**

*President and CEO, Connecticut
Business & Industry Association*

**James P.
Torgerson**

*CEO, UIL Holdings Corporation,
The United Illuminating Company*

**Thomas
Phillips**

*President and CEO,
Capital Workforce Partners*



“Connecticut has traditionally prided itself on a highly educated, skilled and talented workforce. If the state is to remain an economic leader, policy makers, educators and the business community must all work together to address the issues that are challenging our ability to produce enough skilled workers and sustain our competitiveness.”

John R. Rathgeber • President and CEO, CBIA



“Our company is committed to investing in the future by creating an environment that allows us to recruit and retain a talented and qualified workforce.”

James P. Torgerson

CEO, UIL Holdings Corporation, The United Illuminating Company



“In workforce development, we determine the business community to be our primary customer. This survey helps us better understand the challenges and opportunities that are upon us today and can help us be better positioned for the needs we may face in the future.”

Thomas Phillips

President and CEO, Capital Workforce Partners

executive summary

Connecticut has long been considered a desirable location for businesses because of its highly skilled workforce and excellent quality of life. In recent years, however, its position as a hub for top-notch skilled professionals has been under increasing strain.

Businesses are experiencing greater difficulty in finding and hiring a workforce suitable to their needs. The state is experiencing a two-pronged demographic challenge in the declining population of young people at the same time the baby boomer generation prepares to retire. Consequently, the availability of skilled workers in the state has become a critically important economic issue.

I. Connecticut's labor market

Regular workforce attrition, the expansion of business operations, continually changing technologies and competitive pressures mean

that businesses need access to a steady stream of skilled workers in order to remain competitive.

In several recent CBIA surveys, the availability of qualified workers has surfaced as one of the top challenges confronting employers in Connecticut, second only to the high cost of doing business in the state. Employers say they simply cannot find enough skilled workers. It's a challenge that is certain to become increasingly significant in coming years, as more and more baby boomers begin to retire and businesses seek skilled professionals to replace them.

Connecticut businesses are clearly under pressure, with 82% of survey respondents saying their company has experienced difficulty in finding qualified workers within their industry. Fewer than half (41%) of respondents described qualified workers as "somewhat"

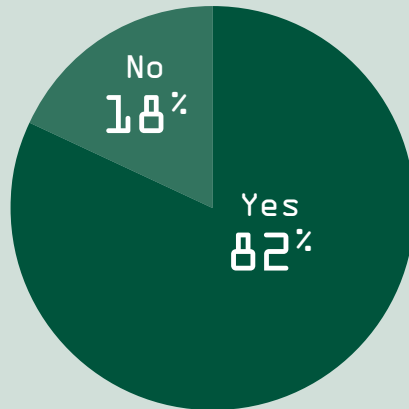


"We are actively involved with educational and community institutions to help recruit for and develop the skills required for the electric utility business."

Diane Pivrotto

Associate Vice President of Human Resources, The United Illuminating Company

Difficulty finding workers



Percentage of respondents on whether their company has had difficulty finding qualified workers

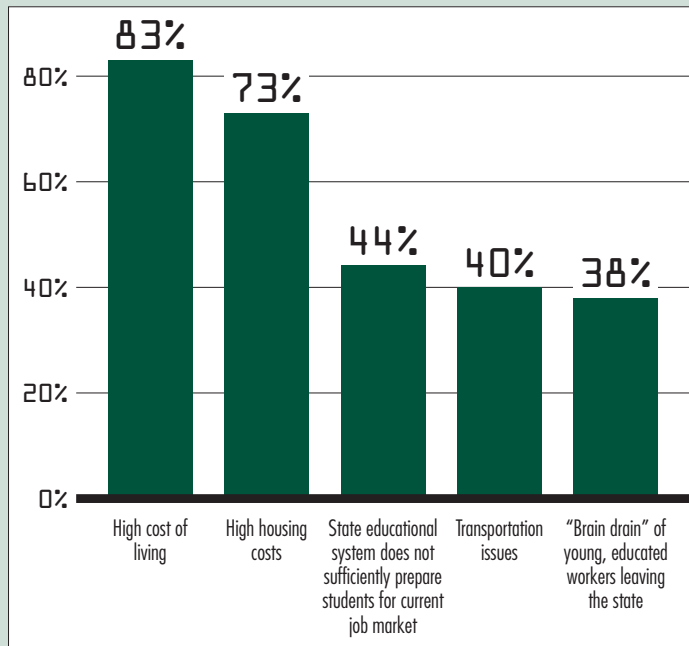
available, and only 3% said qualified workers are extremely available in Connecticut.

Asked to identify reasons for the shortage of skilled workers, 83% of respondents blamed the high cost of living in the state. Other factors cited included high housing costs (73%), a perception that the state's educational system does not sufficiently prepare students for the current job market (44%), transportation issues (40%)

and "brain drain" — the emigration of young, educated workers from the state (38%). An overwhelming 92% of respondents said housing affordability is very important to attracting and keeping skilled workers in Connecticut.

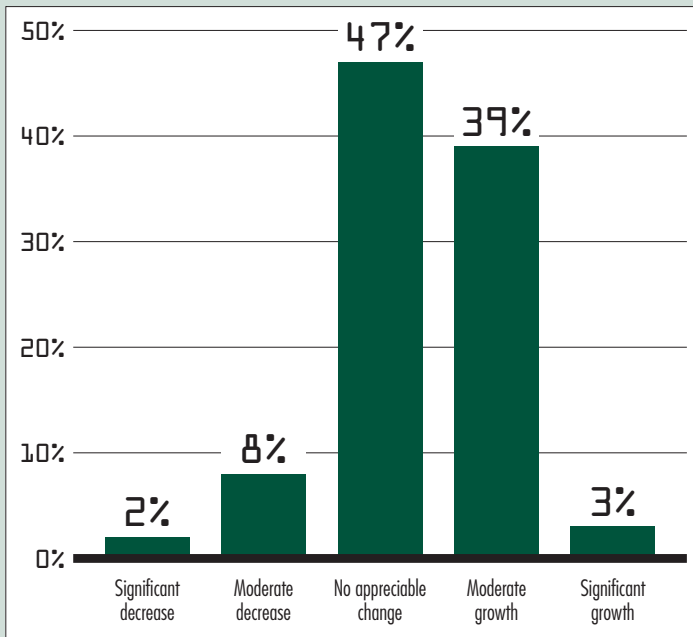
The current job market remains

Reasons for skilled worker shortage



Percentage of respondents on reasons for the shortage of skilled workers in Connecticut

Predicted changes in workforce size



Percentage of respondents on what change, if any, they foresee in the size of their workforce over the next 12 months

relatively active, with 42% of survey respondents anticipating adding workers within the next 12 months. Nearly half (47%) plan to maintain current workforce levels, and only 10% foresee a decrease in their workforce within the next year.

Among the most difficult types of positions to fill are skilled professional/technician (24%), skilled machinists and other

leadership (27%); overall employability, such as a positive work ethic and punctuality (21%); and advanced computer, scientific, research and development, and engineering skills (13%). Only 5% of survey participants said their current workforce lacks basic math, reading, writing and problem-solving skills.

Entry-level workers were in greatest demand for nearly half (49%)

manufactures (20%), engineering (9%), sales (8%), and customer service (5%).

Employee skill sets most in demand are technical, mechanical and manufacturing-related skills (35%); professional or "soft" skills, such as communication, teamwork and



"Connecticut's business community is eager to work with educators and policymakers in addressing the state's shortage of qualified workers."

Lauren W. Kaufman

Executive Director of Education Foundation,
Vice President, CBIA

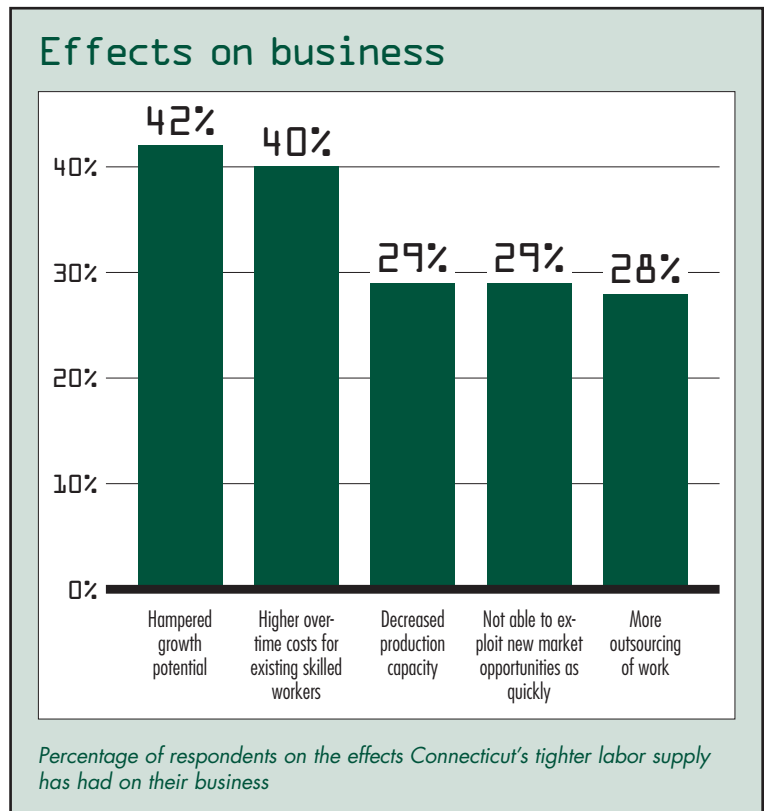
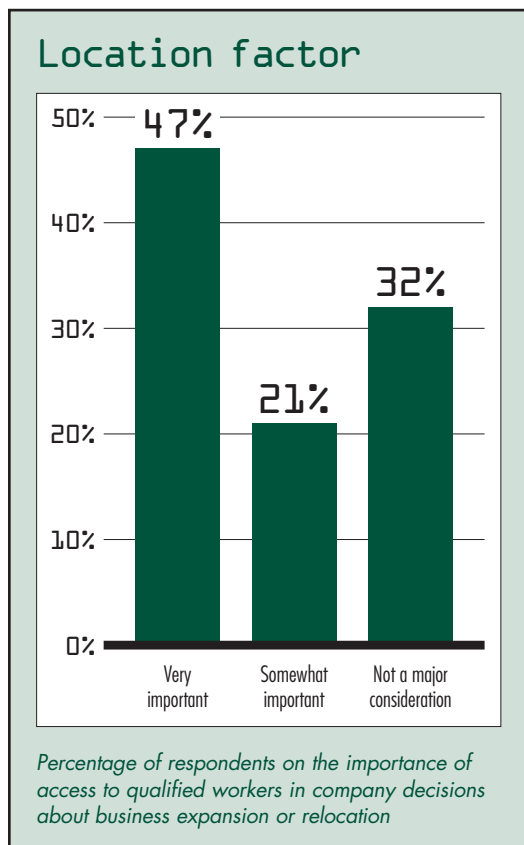
of employers in the last 12 months, and 47% of employers expect demand to remain high over the next year. Another 47% reported greatest demand for mid-level professionals over the previous 12 months, and that same percentage (47%) foresee this being the case within the next 12 months.

II. Economic Impact

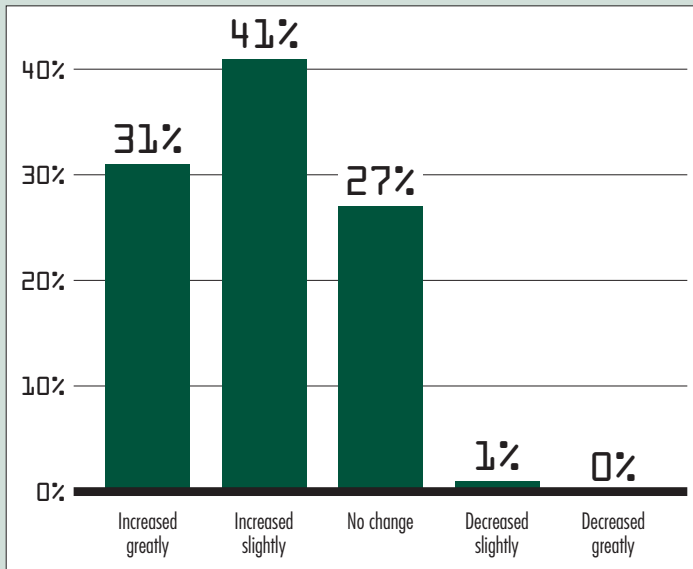
The availability of skilled workers has important implications both for Connecticut companies and for the state’s overall

economy. Businesses need qualified individuals to fuel expansion efforts as well as replace retiring workers. Businesses that are unable to find the workers they need in Connecticut might have to cut back operations or consider relocation.

More than two-thirds (68%) of survey respondents said that the availability of qualified workers is somewhat to very important in determining whether or not to expand or relocate to a new area. Add to this an intensifying demand for skilled workers to replace and support retirees, and the economic impact of



Competition for workers



Percentage of respondents on how competition for qualified workers has increased in the last 12 months.

Connecticut's skilled workforce crunch becomes especially clear.

A tighter labor supply has already affected businesses' growth potential (42%), led to higher overtime costs (40%), decreased production capacity (29%) hampered efforts to exploit new market opportunities (29%) and increased the outsourcing of work (28%).

Fifty-four percent of survey participants believe that the effects of the skilled workforce shortage

could be sufficiently mitigated by future gains in productivity, but about 47% disagree. In addition, nearly three-quarters (72%) of businesses surveyed have found that competition for qualified workers has increased.

For Connecticut companies, this means undertaking new efforts to ensure that their workforce is of adequate size and skill level to maintain a long-term competitive advantage.

One way businesses are seeking to do this is by stepping up employee training. Fifty-three percent of respondents indicated a moderately to greatly increased level of investment in employee training over the last three years; another 46% have maintained



"If we're going to be competitive in global markets, we have to foster an environment that develops a talent pipeline."

Rodney Powell

Board Chair, Capital Workforce Partners and President and COO, Western Massachusetts Electric Company



“Over the years the manufacturing business has become more sophisticated, technical and competitive. In our business, we can buy the technology, the software and the machines, but we can’t buy the workforce.”

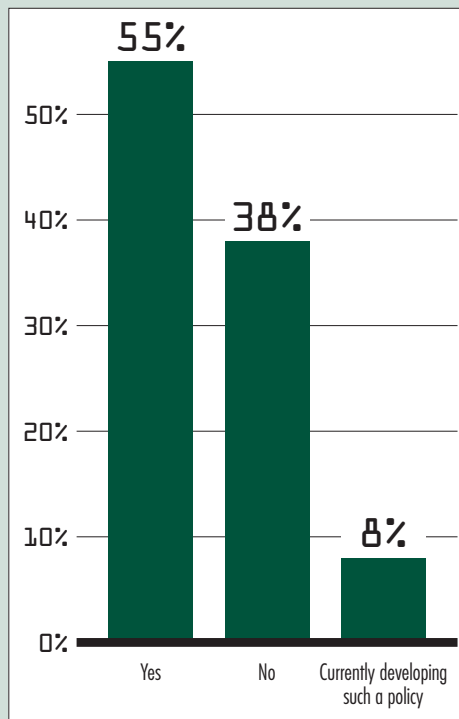
Ken Flanagan
President, Flanagan Industries

steady levels but have not decreased investment.

Survey respondents typically recruit individuals employed within their industry (73%) as well as unemployed individuals (45%) and those employed in other types of jobs and industries (27%).

Connecticut companies are also thinking outside the box to address the skilled worker shortage. Sixty-four percent of businesses surveyed said they seek out qualified candidates in underutilized labor pools, including veterans, persons with disabilities and workers age 55 or older (20%), and former prison inmates (4%).

Stay beyond retirement age

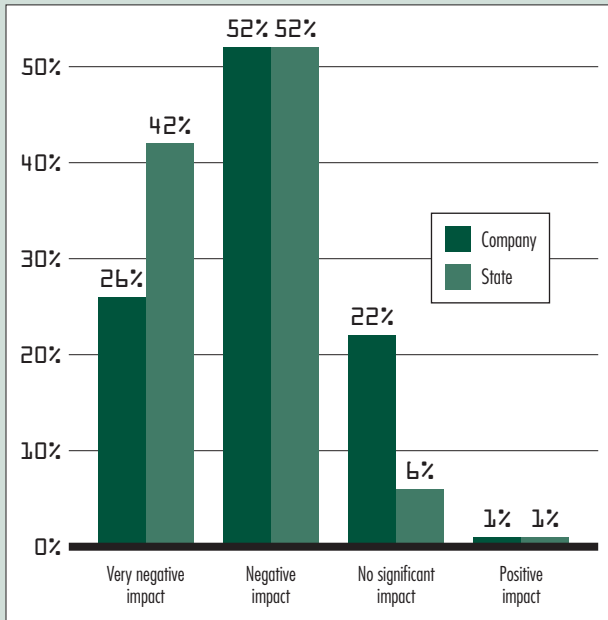


Percentage of respondents on whether their company actively encourages older employees to continue working beyond the traditional retirement age

In addition, 55% are actively encouraging their older employees to continue working beyond the traditional retirement age, and 8% are developing a policy that would enable them to do so. Nearly two-thirds (63%) of respondents believe that immigration will play a somewhat to extremely important role in supplying Connecticut with skilled workers in the future.

Businesses identified several factors that would most significantly help their businesses grow or add jobs in Connecticut. These include a wider pool of skilled labor (24%), lower health care costs (20%) and a reduced tax burden on businesses.

Effects of youth exodus



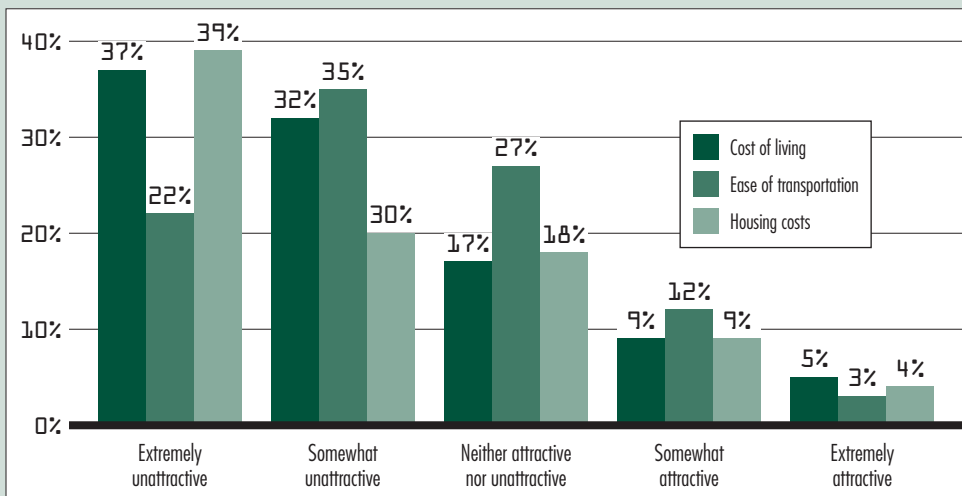
Percentage of respondents on the impact the trend of youth exodus will have on their company and the state, respectively

Youth exodus

The exodus of young professionals from Connecticut is particularly troublesome. From 1990 to 2004, the young adult population declined 25% throughout New England, and this trend is predicted to continue at least until 2020. Businesses are clear about the economic repercussions: 94% said it will have a negative to very negative impact on the state, and 78% foresee a negative or very negative impact on their company in particular.

Respondents indicated that their location may be contributing to the emigration of workers ages 25-34. Young professionals tend to gravitate toward jobs where they find the community and local lifestyle desirable. But

Attractiveness of region



Respondents on the attractiveness of their firm's region in terms of living costs, ease of transportation and housing costs

69% of respondents described their location as somewhat to extremely unattractive in terms of cost of living and housing, and 57% said transportation issues posed a significant problem.

On the other hand, many respondents said their communities were relatively

attractive to young professionals in terms of recreational and cultural activities (36%), breadth and depth of job options available (35%), and the area's social networking opportunities (26%).

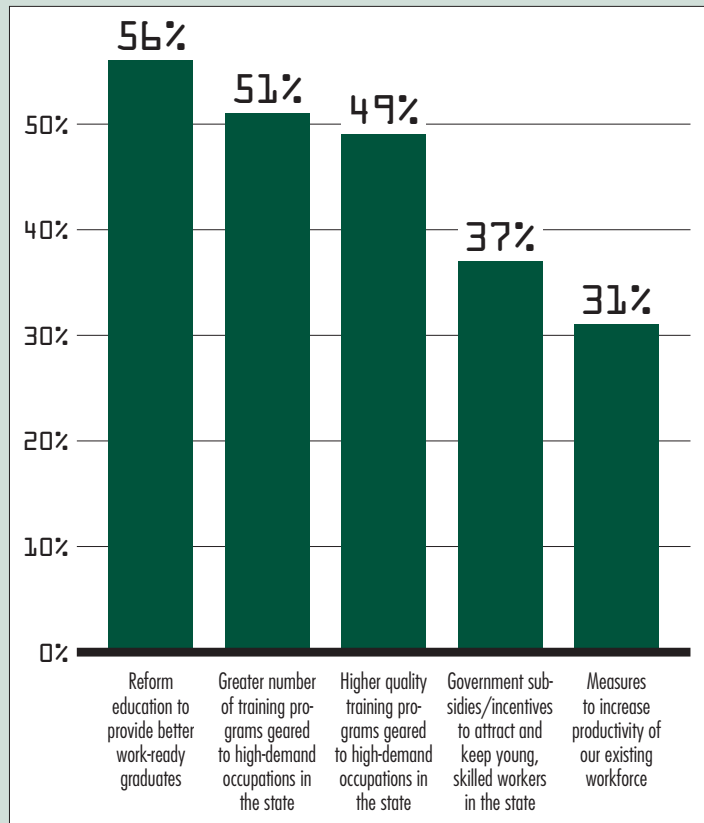
Meanwhile, a regional study described Connecticut as the third-oldest state in the nation (in terms of population), with a "larger and more rapidly growing share of the older population than the rest of the nation."

III. Recruiting, Training and Education

Connecticut companies are using a number of strategies to attract and retain skilled workers. Incentives most often offered by respondents' companies include enhanced pension/401(k) benefits (58%), more competitive health insurance packages (54%), in-house training programs (54%), more competitive salaries (53%), flexible work schedules (50%), tuition reimbursement (39%), and employee longevity incentives and awards (28%).

Thirty-two percent of respondents have a human resources professional dedicated to finding, hiring, maintaining, and training qualified workers; 27% have an HR program

Helpful steps



Percentage of respondents on what actions they believe would be most helpful in ensuring a skilled, young workforce

that handles these responsibilities. What's more, 78% of respondents believe their company is somewhat to highly aware of current best practices research and information regarding effective employee recruitment and retention methods, including proven and measurable techniques for hiring skilled workers and reducing turnover.

Given the upward trend in the age of Connecticut's working population, businesses were asked to indicate what would be most helpful in ensuring new generations of skilled workers. Suggestions included reforming education to better provide work-ready graduates (56%), offering a greater number (51%) of training programs geared to high-demand occupations in the

state and higher quality of such programs (49%), government subsidies and other incentives to attract and keep young, skilled workers in the state (37%), and measures to increase the productivity of the existing workforce (31%).

One key to ensuring Connecticut companies have greater access to skilled workers in the future is to

invest in and improve the education system. An overwhelming majority (85%) of survey respondents said improving the K-12 public education system could have a strong to very strong impact on Connecticut's future workforce by preparing highly skilled, job-ready young adults. Nearly

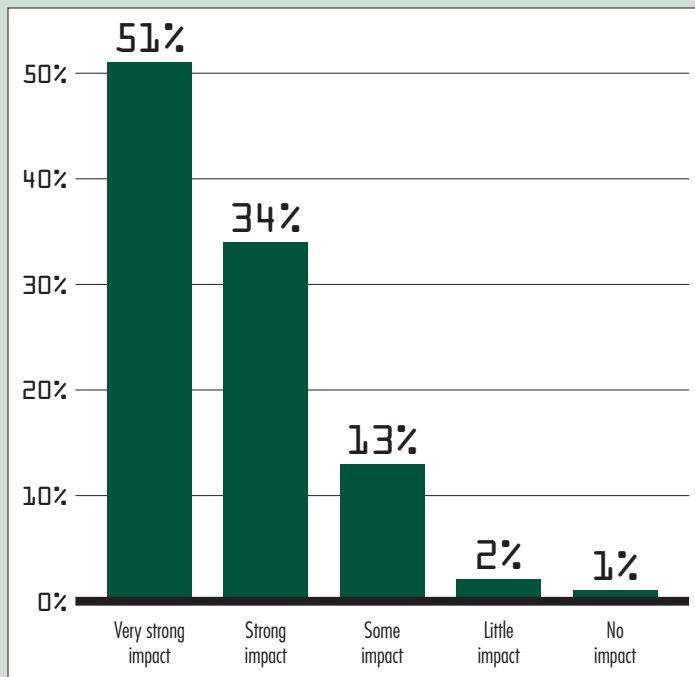


"Our CTWorks One Stop Career Centers are supported by professional industry representatives in the growth clusters in our region. These Business Services Consultants continually listen to the needs of business and work together toward training and recruitment solutions."

Pamela Nabors

Director of One-Stop Services,
Capital Workforce Partners

Effect of improved public education



Percentage of respondents on what impact an improved public education system could have on Connecticut's future workforce



“As the needs of businesses become more complex, it will be increasingly more important for our educational institutions and businesses to form an ongoing, collaborative relationship to ensure a highly skilled workforce.”

Judy K. Resnick

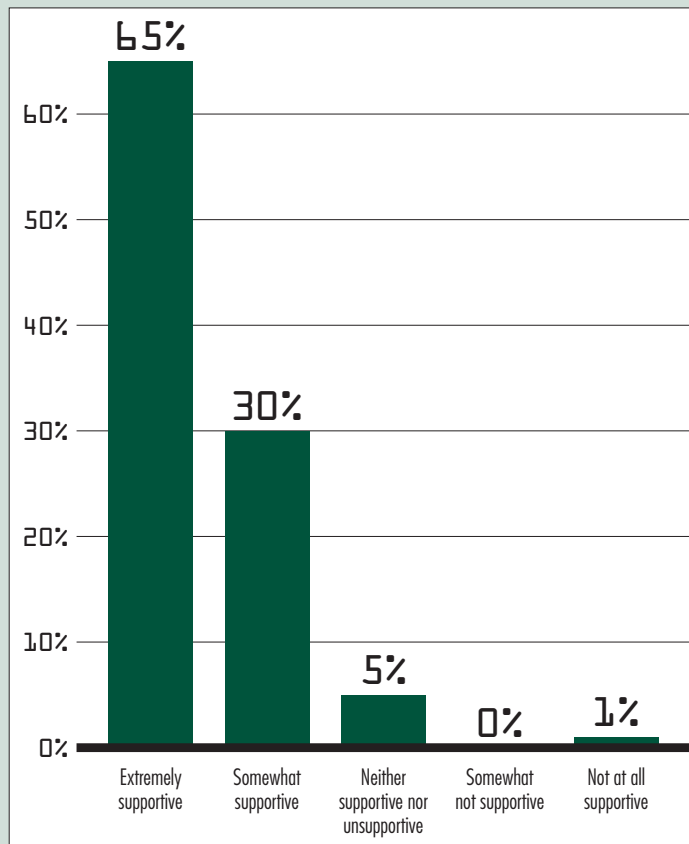
Director of Workforce Development, CBIA

all respondents (98%) said that expanded initiatives in math and science are somewhat to extremely important in preparing today’s students for future careers.

Only 49% of respondents rated the schools in their firm’s region favorably. Even fewer (34%) rated

the state’s current public education system as good or excellent with regard to providing students with employment skills and preparing them for career success in future careers; the rest gave it a rating of average (44%), fair (16%) or poor (6%).

Support for better schools, greater accountability



Percentage of respondents on their support for greater accountability and higher standards in Connecticut’s public education system

Accordingly, 95% of survey participants said they are somewhat to extremely supportive of greater accountability and higher standards in Connecticut’s public education system. Most had a generally positive view of Connecticut’s public colleges and universities, on the other hand, with 64% saying

they do a good to excellent job of providing graduates with the knowledge and skills needed to prosper in future careers; 27% rated them average and only 9% believed they are fair or poor.

The importance of a quality education is highlighted by the fact that over half of respondents (55%) require at least a high school degree for the majority of new hires; nearly a fifth (17%) require graduation from a trade or technical school; and 18% require at least a bachelor's degree. Businesses are doing their part to help students see how the skills they acquire in the classroom directly relate to their professional careers; 40% participate in an apprenticeship, internship, training, cooperative, or other partnership program with a college or university, and 19% do the same with high schools.

Connecticut's business community is eager to work with educators and policymakers in addressing the state's shortage of qualified workers. They recognize the need for improved educational

opportunities for Connecticut's students as well as affordable living and housing for the state's young, educated workers. They are taking measures to remain competitive so that the state's economy can continue to grow.

The results of this survey clearly indicate the critical need for a collaboration among businesses, educators and policymakers to ensure that Connecticut's economy remains supplied with skilled workers for generations to come.

Availability of Skilled Workers in Connecticut

SUPPLEMENTS *(published separately)*

- Connecticut's North Central Region
- Industry Sectors of Connecticut's North Central Region
- Manufacturers
- Finance, Insurance and Real Estate Sector (FIRE)
- Fairfield County
- Hospitality, Retail and Tourism

For more information about these supplements, contact CBIA's Jason Giulietti at 860-244-1946.



"The ability of Connecticut businesses to meet the demands of a highly competitive global market hinges greatly on our capacity to provide them with a highly skilled workforce. As our latest survey clearly shows, there is a significant challenge moving forward to ensure Connecticut remains a top location for skilled workers."

**Peter M.
Gioia**

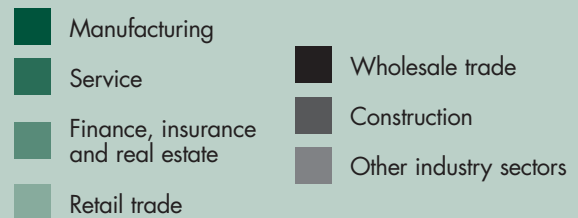
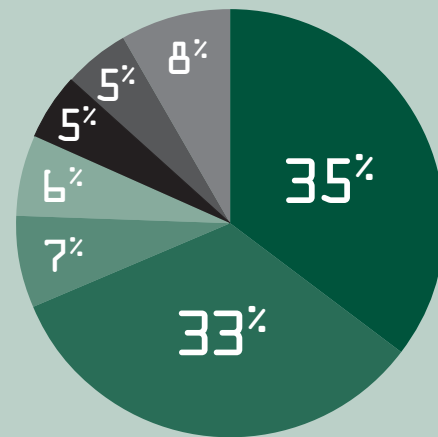
Vice President and
Economist, CBIA

demographics

Business executives who responded to this survey lead companies located throughout the state. Thirty-seven percent are located in Hartford County, 22% in Fairfield County, 20% in New Haven County, 7% in Middlesex County, 6% in Litchfield County, 3% in New London County, 3% in Tolland County, and 2% in Windham County.

A wide variety of industries are represented. Using the Standard Industrial Classification (SIC) codes, 35% of respondents are from the manufacturing sector; 33% from service; 7% finance, insurance and real estate; 6% from retail trade; 5% from wholesale trade; 5% from construction; and 8% from other industry sectors.

Companies responding to the survey ranged from microbusinesses to midsize or large employers, with a workforce of 10 or fewer people (33% of survey respondents), 11 to 49 (37%), 50 to 99 (7%), 100 to 499 (16%), and 500 or more (8%).



methodology

This survey was conducted electronically. In October 2007, surveys were e-mailed to approximately 4,000 Connecticut businesses. A total of 563 surveys were returned, for a 14% response rate and a margin of error of plus or minus 4 percentage points. 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 to 100%.

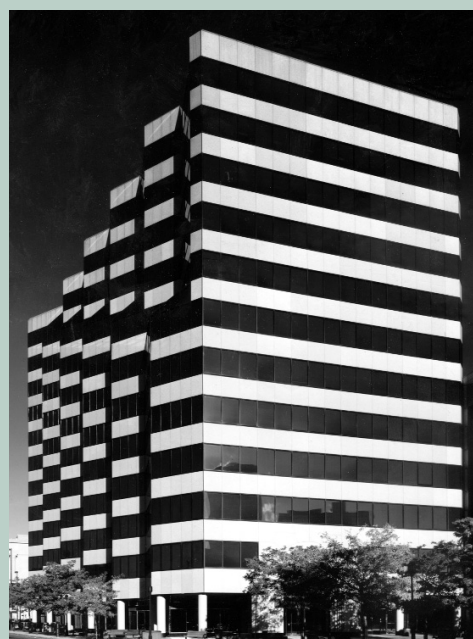
If you have questions or would like additional copies of the survey, please contact Jason J. Giulietti at 860-244-1900.

about CBIA

Connecticut Business & Industry Association

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

One of the most important functions of CBIA is to provide our members with information on topics that can 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, taxes, energy, health care, compensation, and benefits. Our telephone consulting service gives our members free access to an experienced staff of professionals on a wide range of business topics.



Many CBIA members take advantage of our employee benefits plans. These include an innovative health insurance program as well as other insurance lines, retirement plans, a COBRA continuation program, an eyewear savings plan and group purchasing opportunities.

Visit cbia.com.

sponsor profiles

Capital Workforce Partners (CWP)

CWP, established under the federal Workforce Investment Act (WIA) of 1998, coordinates comprehensive programs contracted through private and public partner organizations. These programs develop a skilled, educated and vital workforce to support the economic growth of the 37 municipalities in the Hartford region. A consortium of the region's chief elected officials oversees CWP and appoints representatives from business, education, labor and public groups to serve on our board of directors. This board is responsible for creating and implementing our strategic plan.

Capital Workforce Partners is the result of a merger of two innovative and active Workforce Investment Boards — the Capital Region Workforce Development Board and Workforce Partners of Mid-Connecticut. As a result of a state-mandated consolidation of eight workforce development boards to five, CWP now serves a total population of 959,322 and a labor force of 486,500, making it the largest workforce investment area in Connecticut.

OUR MISSION: To support an effective workforce development system that strategically connects economic development and education resources for the purpose of building and maintaining a strong and vibrant workforce.

OUR VISION: We envision a system that prepares and sustains a diverse, highly skilled, and educated workforce who can command wages sufficient to create prosperity and support the region's economic vitality.

Visit capitalworkforce.org.

The United Illuminating Company

The United Illuminating Company (UI) is a New Haven-based regional distribution utility established in 1899. UI is engaged in the purchase, transmission, distribution and sale of electricity and related services to more than 320,000 residential, commercial and industrial customers in the Greater New Haven and Bridgeport areas. UI's parent company, UIL Holdings Corporation, is traded on the New York Stock Exchange under the symbol UIL.

Visit uinet.com.

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