MBR
MASSACHUSETTS
BUSINESS ROUNDTABLE

Massachusetts Talent and Competitiveness 2023

Final Report

May 2023

MBR Survey 2023: Massachusetts Can Win in the New World of Work

1: Invest in talent – this is the core of MA's competitiveness

Employers say access to talent is what keeps them in Massachusetts…

…but persistent hiring challenges are driving more employers to look for remote workers outside of MA.

2: Align skills training with employer needs

Massachusetts is doing better than most in terms of training and skills development...

...but with the pace of change and competition for talent, employers are struggling to find the skills they need for open roles.

3: Keep experimenting with the new world of work

The new normal is more hybrid, diverse, and driven by technology...

…but it is also more complicated, and employers are still figuring it out.

4: Continue to promote policies to attract and retain employers and employees to the state

Employers still see enormous value from remaining in Massachusetts...

…but fears about the economy and longstanding concerns about the state persist.

Massachusetts is well-positioned today, but warning lights are flashing. Now is the time to act to maintain Massachusetts' competitive advantage.

1: Invest in talent – this is the core of MA’s competitiveness

Employers say access to talent is what keeps them in Massachusetts…

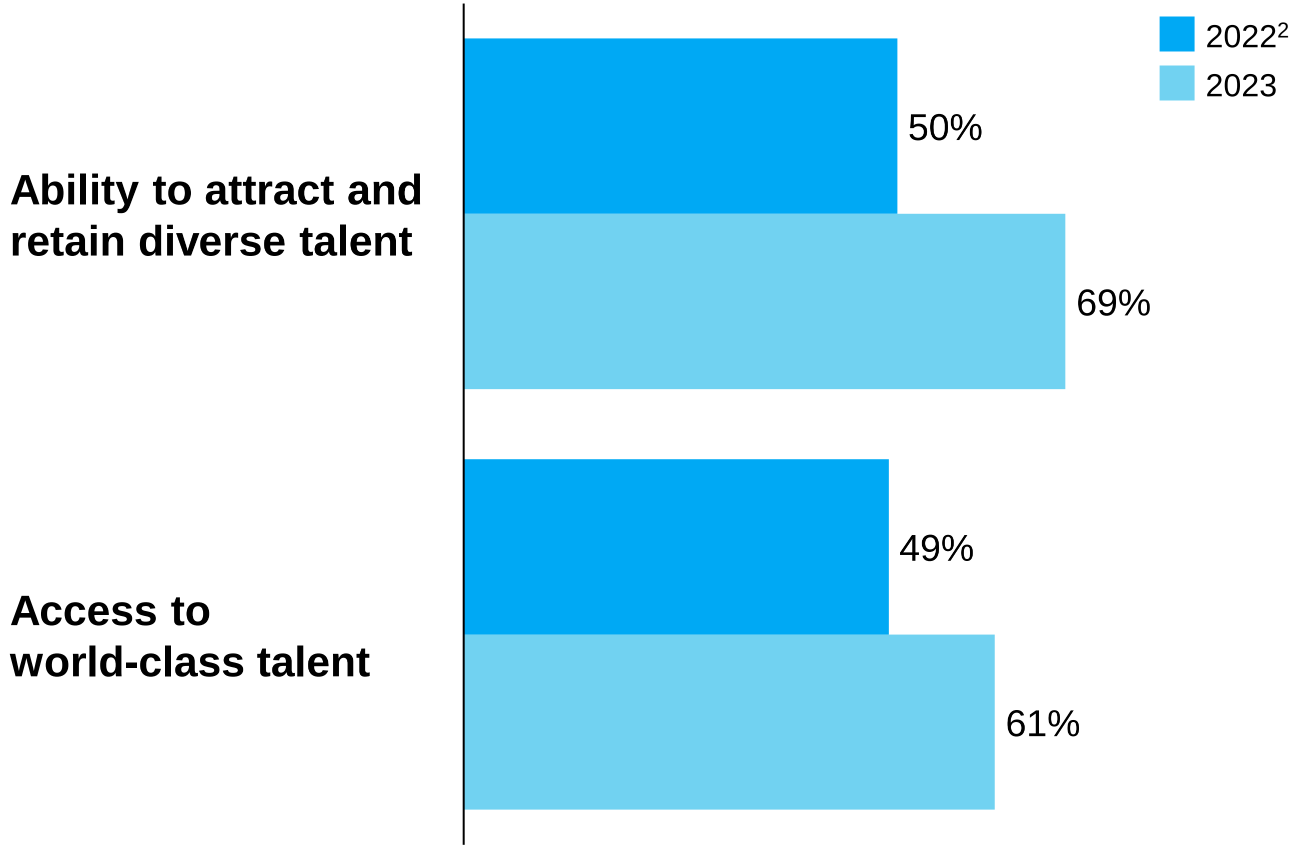
- All interviewees cited talent as one of the top reasons for remaining in Massachusetts.
- For 69% of survey respondents, their ability to attract and retain diverse and world-class talent in Massachusetts is a key factor influencing their decision to stay in the state over the next 1 to 2 years (up from ~50% in 2022).

…but persistent hiring challenges are driving more employers to look for remote workers outside of MA.

- About 75% of respondents expect some difficulty in recruiting talent over at least the coming 12 months, with manager and above roles being more difficult to recruit for. While the ‘Great Resignation’ seems to be slowing, 28% of respondents still expect the rates of voluntary turnover to continue increasing over the coming ~12 months. These challenges are shared across industry, level, and position.
- 31% of respondents said their organizations have more than 10% of employees affiliated with MA-based operations or locations that are based outside of MA and work remotely today (up from 9% of respondents pre-COVID-19).
- The fraction of respondents considering either reducing their presence in MA or adding new roles outside of MA has tripled (from 7% in 2022 to 21% today). This is at the cost of in-state presence: only 8% are considering expanding their presence in MA, down from 20% last year.

69% of respondents said that ability to attract, retain, and access talent is key factor influencing decision to stay in MA (up from 50% in 2022)

Most common factors that impact organizations' decision about their presence in MA, % of respondents[1]



*"At the leadership level, there is the belief that **being in this ecosystem matters: more valuable to be here than the cost of doing business** here."*

*"For lot of life sciences, northeast corridor is still where you go find the best possible talent. **Novel ideas are coming out from the schools, life sciences, spinouts…**"*

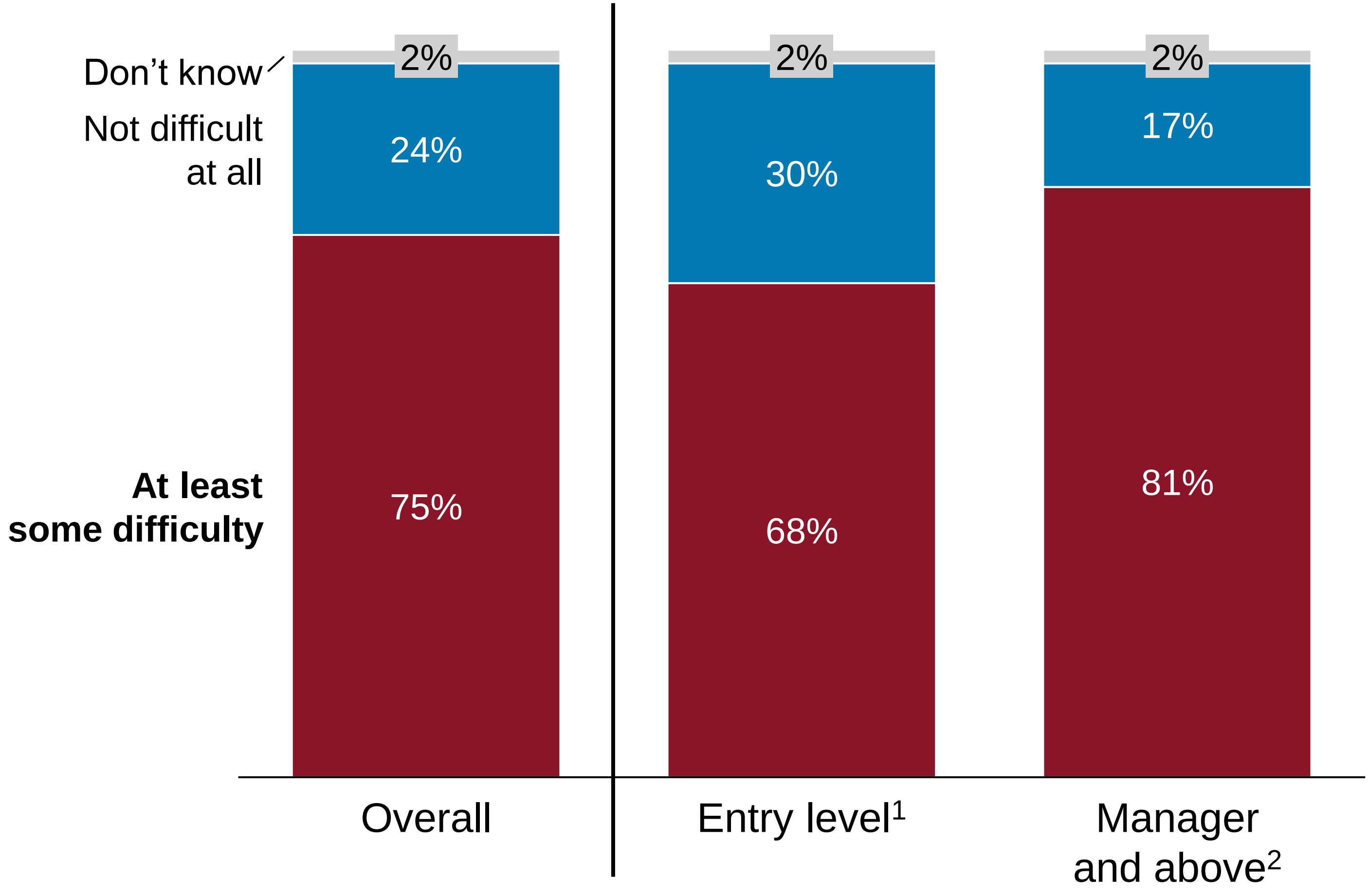
1. Responses that selected "don't know" or didn't select any options were not included in calculations

2. 2022 source: MBR Future of Work, Workforce Dynamics and MA Competitiveness Survey 2022, March-April 2022 (n = 44)

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

About 75% of respondents expect some difficulty in recruiting talent, more so for manager and above roles (81%) vs. entry level roles (68%)

Expected difficulty recruiting talent, at various levels, over the coming ~12 months, % of respondents



*"I hate the term 'war for talent', but **the 'war for talent' is real. It's gotten more complicated** (with hybrid, WFH, building that culture)…"*

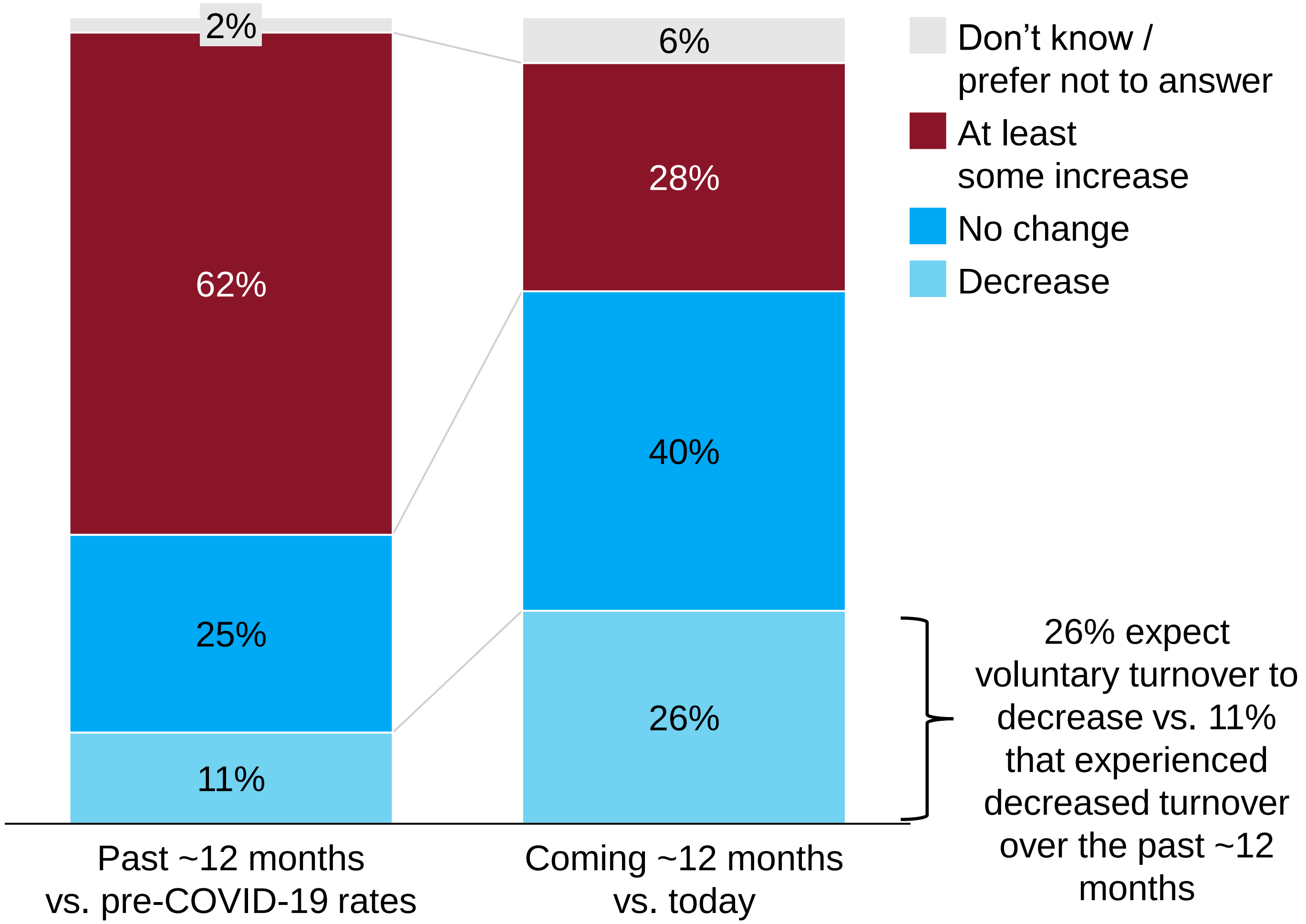
*"I've worked for over 30 years here, and **I've never seen a market like this**. We traditionally always had vacancies, but they would get filled. Now **we have vacancies lingering, and that has been consistent for the past two years**."*

1. Incl. those with no direct reports
2. Incl. C-suite, SVP, VP

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

While the 'Great Resignation' seems to be slowing, 28% of respondents still expect voluntary turnover to continue increasing near-term

Rate of voluntary turnover, past and expected, % of respondents



*"Very few are able to make that culture shift: **Folks are still seeing labor in a 20th-century way which results in quiet quitting**."*

*"If anything, the **slowing economy could be helpful** to organizations [for retaining talent]."*

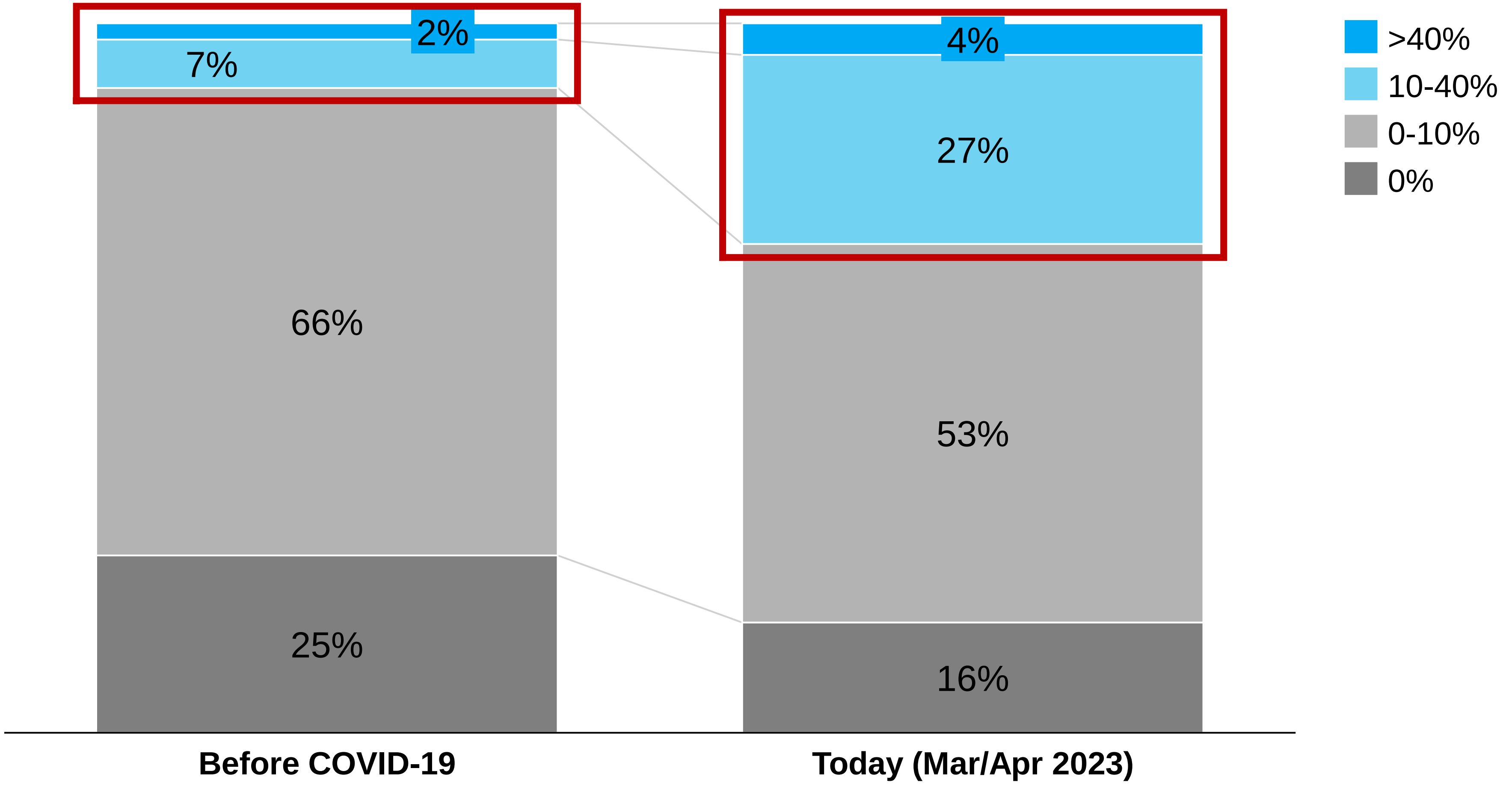
*"6 months ago, we couldn't keep people – **now, no one is leaving**."*

*"We **saw a lot of 'boomerang'** employees: Many tried to come back – some were successful, others weren't."*

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

For 31% of organizations, over 10% of their MA-affiliated employees are based outside of MA and work remotely (vs. 9% before COVID-19)

MA-affiliated employees that are based outside of MA and work remotely, % of respondents[1]



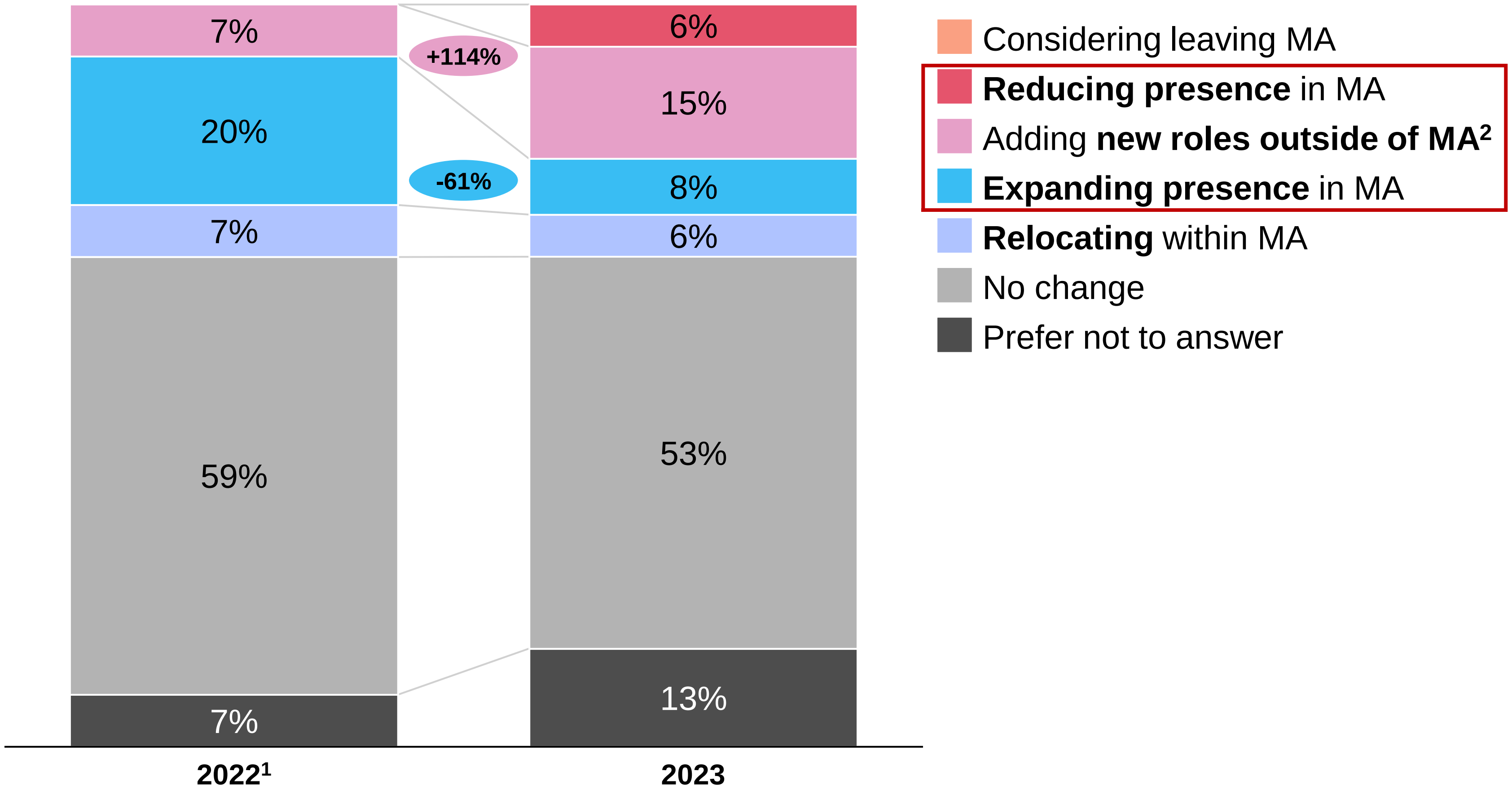
*"Choice came down to, **do we retain them and allow them to live elsewhere? Or do we risk losing them by requiring them to be in MA?** Most of us have been choosing the former [i.e., to retain them]."*

1. Responses for "Don't know / prefer not to answer" not included in calculations

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

Respondents considering reducing their MA presence or adding new roles ex-MA has tripled (7% in 2022 vs. 21% today) at cost of in-state presence

Decisions about MA presence over the next ~1 to 2 years that respondents are considering, % of respondents



*"For us, **we're not going to shut down offices here**. However, as **there are more optionalities**, we'll opt to have more remote roles."*

*"**Lots of employees start out in MA and ask if they can relocate elsewhere** (e.g., they can buy a mansion in TN vs. small here in MA)."*

1. Source: MBR Future of Work, Workforce Dynamics and MA Competitiveness Survey 2022, March-April 2022 (n = 44)
2. Locations selected as being considered outside of MA included PA, TX, CA, DE, FL, MI, MO, NY, RI, WV, Malaysia

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

2: Align skills training with employer needs

Massachusetts is doing better than most in terms of training and skills development...

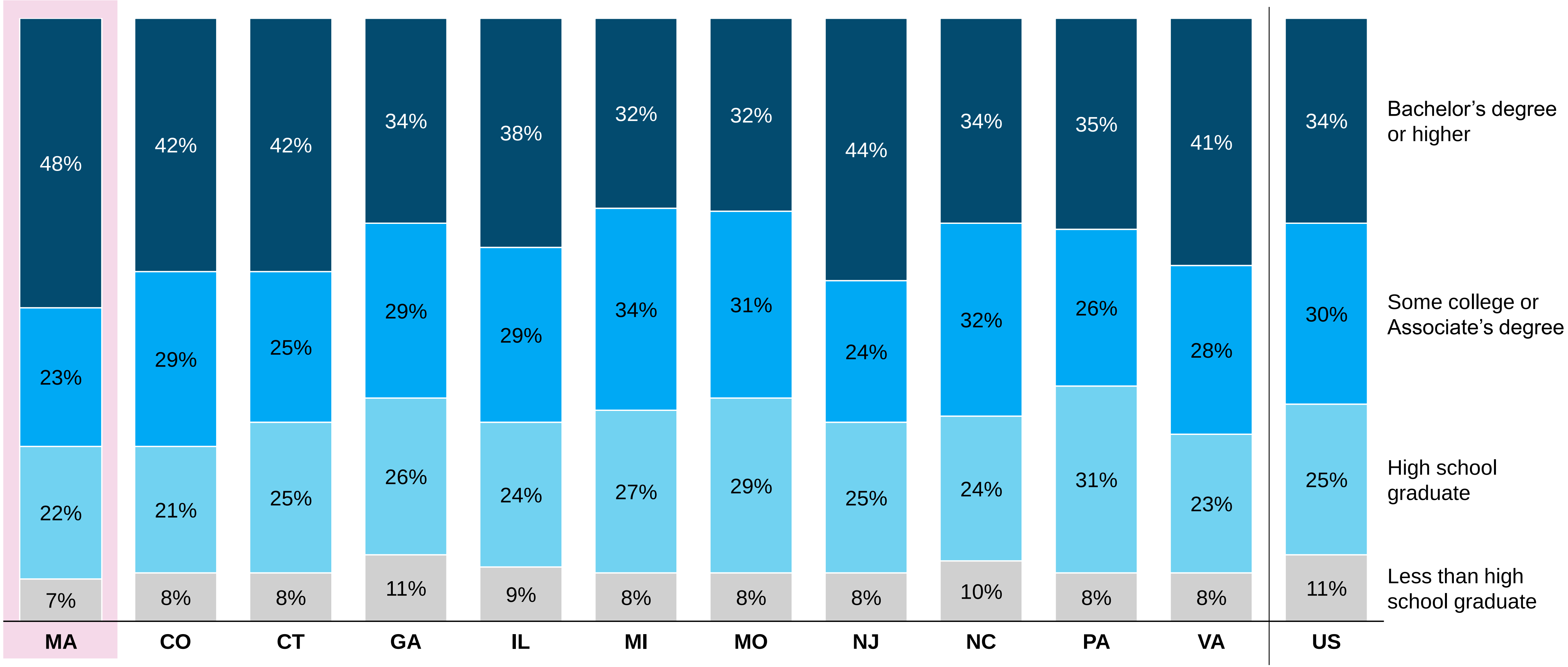
- Massachusetts has higher education levels than its peers and the US average, with nearly 50% of the population having a BA or higher.
- Massachusetts graduates the largest share of STEM degrees among peers and the US, with engineering and computer science as largest sub-fields.
- Employers are taking action to fill skills needs: 70% of organizations offer access to education / training programs in relevant skills (e.g., via certifications, specific courses), 47% partner with academic institutions, and almost a quarter (23%) partner with affinity / professional organizations.

...but with the pace of change and competition for talent, employers are struggling to find the skills they need for open roles.

- 70% of respondents cite the lack of available talent within MA and 43% cite the lack of candidates willing to move to and live in MA as the main drivers of difficulties when trying to recruit talent for their organizations.
- The skills selected as “most critical” by respondents (i.e., problem-solving, creativity, critical thinking, team management, and interpersonal and emotional skills) also have the biggest gaps: 55%+ reported some unmet need for these. On the other hand, less than 40% of respondents selected technical, software, or functional expertise as the most critical skills for their sectors; for these skills, 62%, 57%, and 54% of respondents, respectively, reported some unmet need.

Massachusetts has higher educational attainment than its peers and the US average, with nearly 50% of the population having a BA or higher

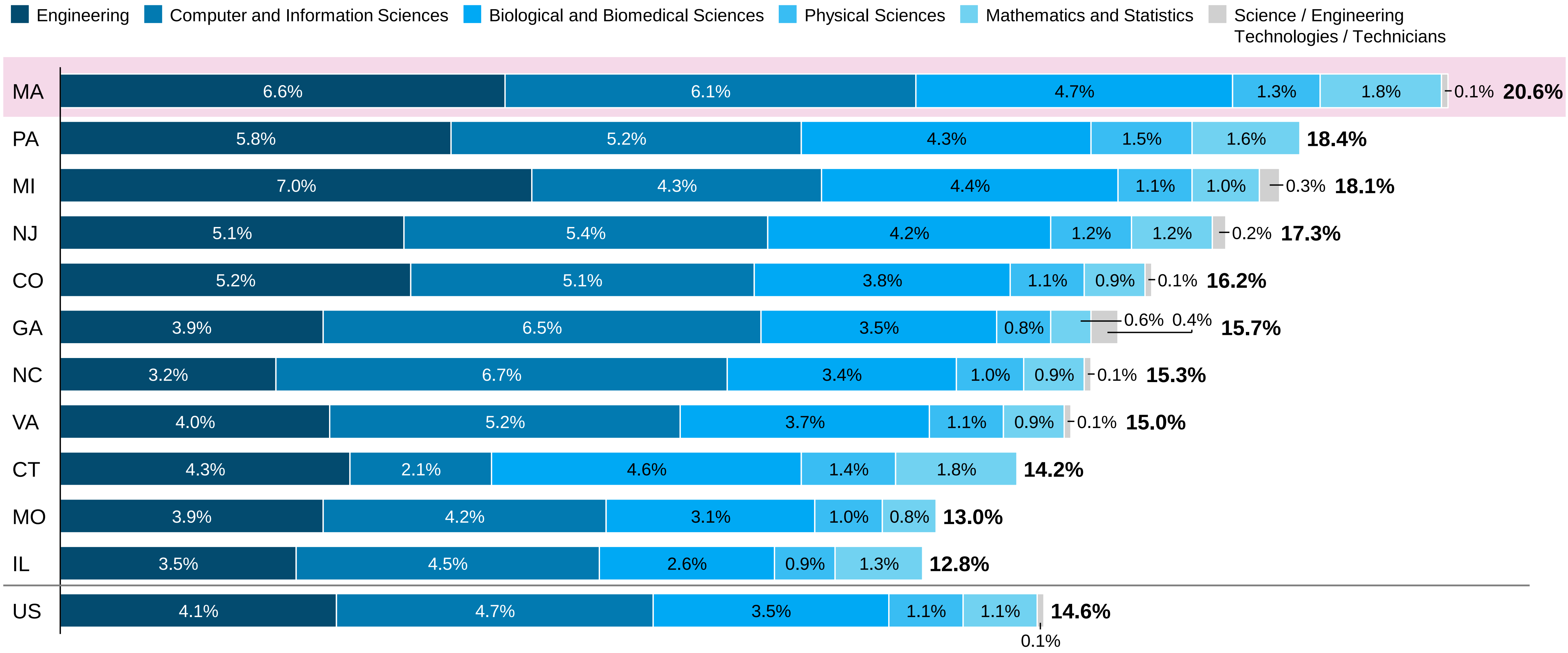
Educational attainment in population aged 25-64, % of population, 2020, 5-year estimate



Source: US Census Bureau, American Community Survey (ACS) 5-year estimates

Massachusetts graduates largest share of STEM degrees among peers and the US, with engineering and computer science as largest sub-fields

STEM graduates, %, 2020

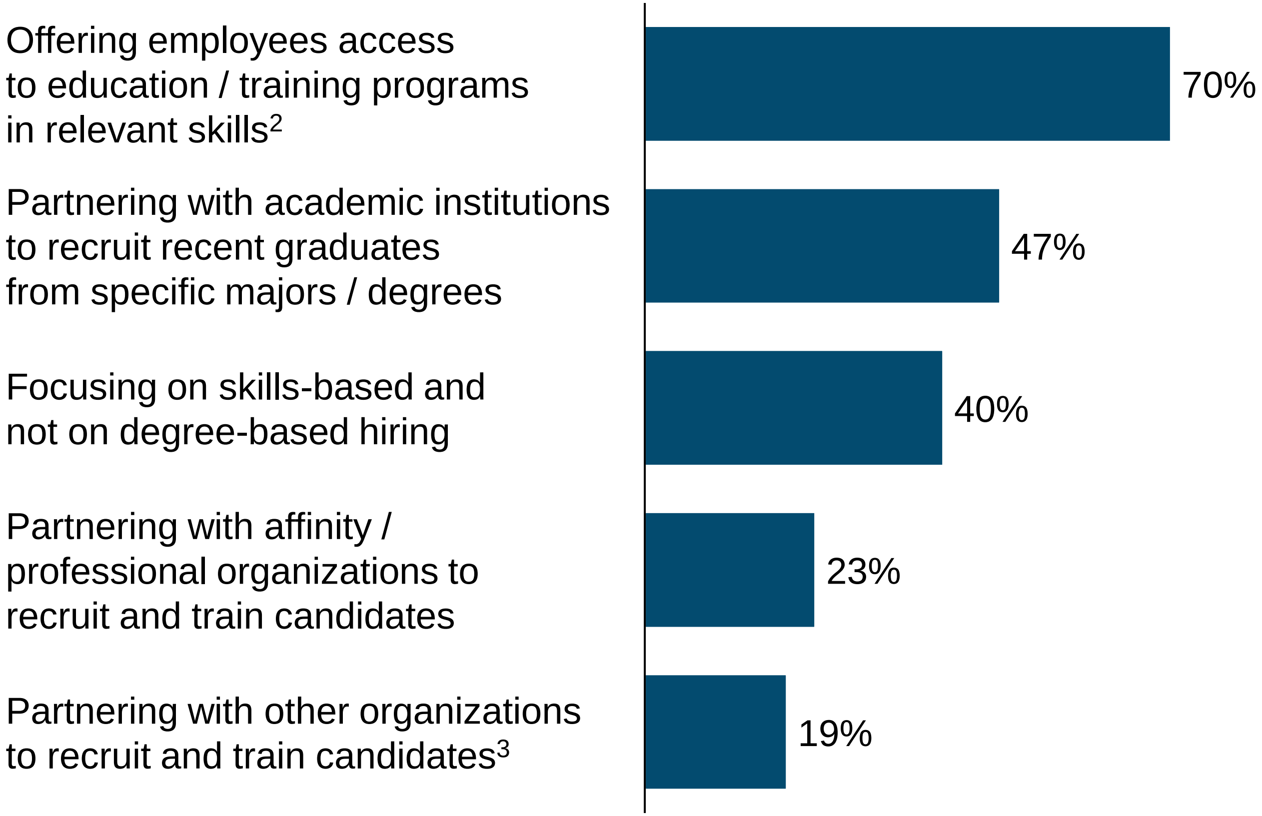


Note: Only includes awards that are Associate's or higher; includes first and second major completions

Source: National Center for Education Statistics (NCES) Integrated Postsecondary Education Data System (IPEDS)

Employers are taking action to fill skills needs, most commonly by providing access to education / training programs in relevant skills (70%)

Top actions organizations take to try to reduce skills gaps and acquire needed skills, % total responses[1]



*"We're really trying hard to **build those skills as we go along**."*

*"We really **want to start training program to really invest from within**. We need to home-grow talent, which we'll be able to steer to our diversity needs and shortcomings."*

*"[We try to solve it via] in-house training, but we lose a month on everybody that we hire. **It'd be great if it could be outsourced, but I doubt we can do that as it's our "secret sauce"**."*

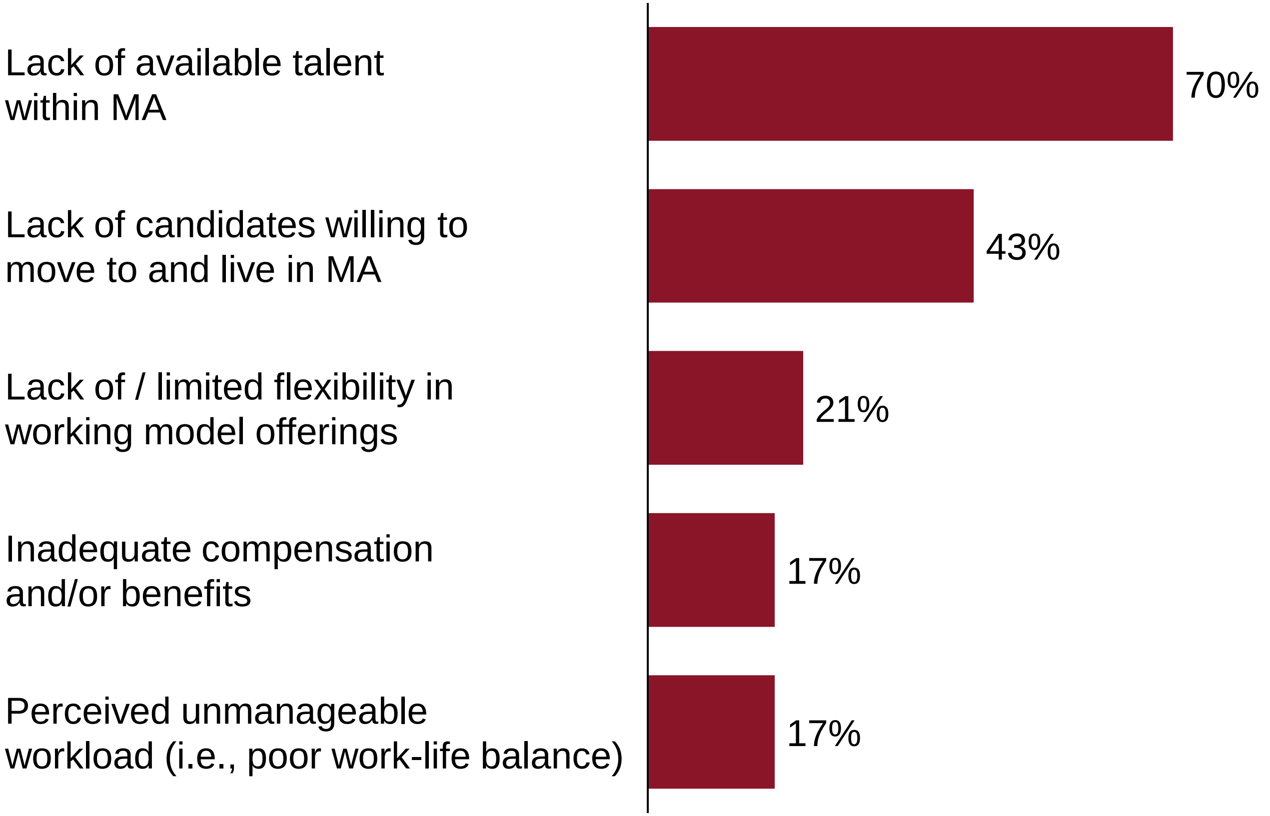
***"You can't try to just upskill everybody** – you need to have the appetite for it."*

1. Respondents could select up to 3 responses so sum might not add to 100%
2. E.g., certification, specific courses
3. E.g., vocational schools, community colleges

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

70% of respondents cite lack of available talent within MA as the main driver of difficulties when trying to recruit talent for their organizations

Top expected drivers of difficulties in recruiting talent,
% of respondents[1]



"There's a ***limited pool of talent****, and we have fairly low levels of unemployment […] Living in this area is expensive, so* ***you are losing people not only to companies in the same region – they could be working in other regions too****."*

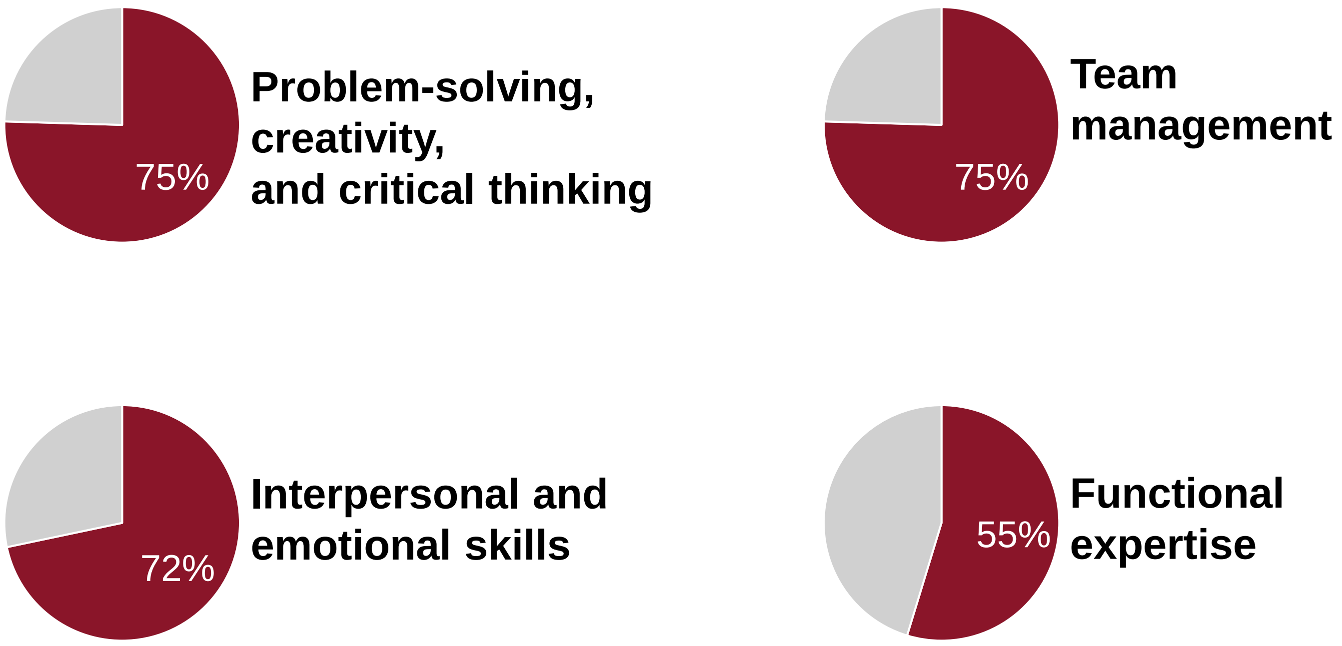
"In MA, I can give [multiple] examples of roles in Boston where we've tried to get folks to move here from Atlanta, Minneapolis, Chicago… ***When they do the math, they can't seem to make it work even with increases [in compensation]*** *that we give them to move here (between housing, taxes, etc.)."*

1. Respondents could select up to 3 responses so sum might not add to 100%

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

The top 3 skills selected as "most critical" by respondents also have the biggest gaps: 55%+ reported some unmet need for these

Respondents reporting unmet needs for the top 3 skills selected as "most critical", % of respondents



"How do we size up?** Not in people but in capabilities…**"

*"We have to **teach people the 'why's and the 'how's** so they can accelerate [their career and development]."*

*"As we focused on how to pass exams [and on technical skills], **we're doing a disservice to newer generations around the actual skills to compete and survive in the workplace**, how to think critically, keep up with change, communicate, [solve complex problems], the like."*

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

3: Keep experimenting with the new world of work

The new normal is more hybrid, diverse, and driven by technology...

- The vast majority of respondents (96%) allow some form of hybrid work, with only 4% requiring fully in-person presence all the time.
- A majority of organizations expect to increase DEI efforts related to their MA operations, especially for hiring (85%) and advancing (81%) diverse talent.
- Organizations expect advances in AI and other digital trends to positively impact profits and support their talent needs (>57% of respondents).

…but it is also more complicated, and employers are still figuring it out.

- Almost half (47%) of respondents plan to reduce their overall MA real estate footprint, an acceleration compared to 36% in 2022.
- All interviewees noted the challenges of adjusting to a hybrid, multi-generational workforce.
- 45% of respondents cite changing worker expectations (e.g., hybrid/remote, flexible hours, well-being support, role of organizations in career development, perks like childcare assistance) as a trend that will most impact their organization over the next ~1 to 2 years.

Vast majority of respondents (96%) allow some form of hybrid work, with only 4% requiring fully in-person presence all the time

‘Remote’ / ‘hybrid’ working policies, % of respondents

	% of respondents
Our organization is **fully in person**; all employees must be on site full-time.	4%
We require **some in-person presence** and are **specific about which days** require in-person presence (e.g., every Tue to Thu).	21%
We require **some in-person presence** but are **not specific about which days** (e.g., any 2 days per week).	40%
Our organization is **’hybrid’**, but our policies on how many days and which days are **unrestricted** (i.e., up to employees).	23%
Other[1]	13%
N/A; our organization is fully remote	0%

*“**We are having to flex** because other companies might be OK with being remote whereas we’d prefer to be more hybrid / in-person.”*

*“We’re **pretty torn on our remote / hybrid strategy and structure** […] between carrots and sticks…”*

*“We’re hybrid, but **remote is falling out of fashion really quick.**”*

*“We draw a pretty hard line: **I demand that people come in full-time into the office**. You have to be here to see how things are done and to do things.”*

1. Write-in responses included respondents having different rules for different roles and one respondent that said the require for 85% on site / 15% WFH

Source: MBR ‘Massachusetts Talent and Competitiveness 2023’ Survey, March-April 2023 (total n = 53)

Majority expect their organizations to increase DEI efforts for their MA operations, esp. for hiring (85%) and advancing (81%) diverse talent

Organizations expecting increases in DEI efforts for their MA operations over the next ~1 to 2 years, % respondents

Solutions to hire diverse talent

85%

Solutions to advance DEI in our organization[1]

81%

Visible commitment from executives

68%

Funding of DEI initiatives

64%

Solutions to support the broader community[2]

62%

People dedicated to DEI

51%

*“**Our workforce needs are actually quite diverse**. But if there’s one constant that goes across everything – Boston and industry-wide – it’s that we need more diverse talent.”*

*“**One real challenge in Boston is finding more diverse talent** across all roles. **It’s the right thing to do** – and it’s also our clients demanding it.”*

*“The focus [of expanded partnerships] is more DEI-driven. There are **large gaps between what we look like and what our customers look like**.”*

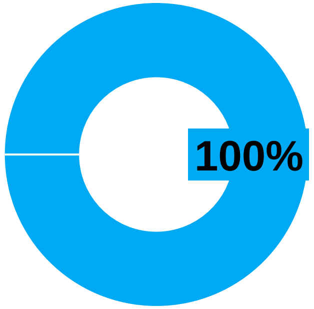
1. E.g., sponsorship, mentorship, training
2. E.g., pro-bono efforts, volunteering

Source: MBR ‘Massachusetts Talent and Competitiveness 2023’ Survey, March-April 2023 (total n = 53)

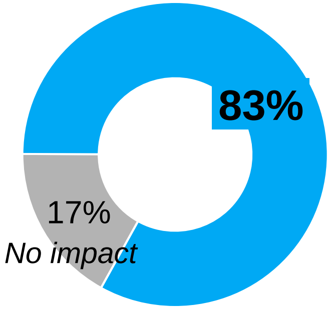
Organizations expect advances in AI and other digital trends to improve their profits and talent pipelines in the next ~1 to 2 years

11% **expect Artificial Intelligence (AI) to most impact their organization[1],**

of which…



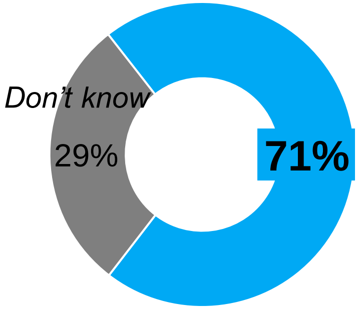
expect ***positive impact on profits***



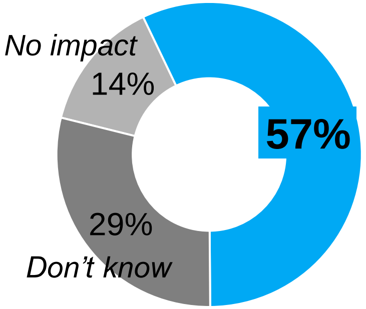
expect positive impact on ***ability to hire and retain attractive talent***

13% **expect other digital trends[2] to most impact their organization[1],**

of which…



expect ***positive impact on profits***



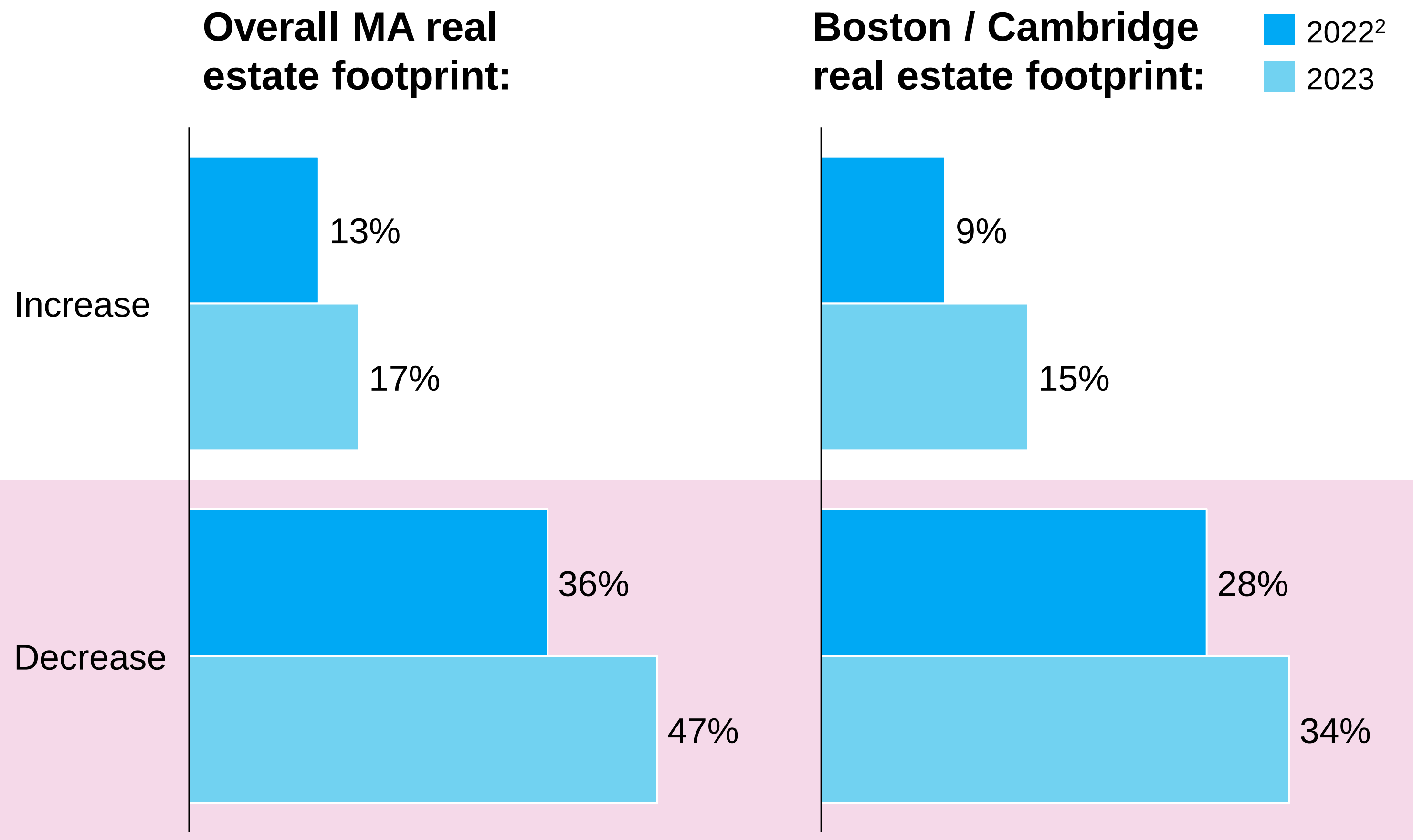
expect positive impact on ***ability to hire and retain attractive talent***

1. Sum of responses might not equal 100% as respondents could rank up to 3 options.
2. E.g., automation, use of digital platforms like e-commerce

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

Almost half (47%) of respondents plan to reduce their overall MA real estate footprint, an acceleration compared to 36% in 2022

Expectations about real estate and facilities plans over next ~1 to 2 years, % of respondents[1]



"Half of offices are still empty so ***why pay these crazy prices****?"*

"Some people are downsizing their space. Others are using it a lot more differently… ***Maybe the square footage is pretty close as before, but the vibe is very different****."*

"There's a much greater focus on ***creating the office as a magnet itself – magnet, not mandate*** *– to help increase enjoyment, productivity of spaces [and encourage people to come]."*

1. Responses for "No change" and "Don't know" are not shown here

2. 2022 source: MBR Future of Work, Workforce Dynamics and MA Competitiveness Survey 2022, March-April 2022 (n = 44)

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

100% of interviewees noted the challenges of adjusting for a hybrid, multi-generational workforce

*“**Each generation has a superpower**. If you put them into a role that fits, it’ll work. If you try to mold them into the role, it won’t.”*

*“I think **there is an expectation gap between the labor forces regarding what my life is going to look like**. Who knew I was going to be Archie Bunker?”*

*“It’s about trying to figure out, **how do we construct appeal for all and so that it’s fair and equitable**?”*

100%

facing challenges in creating solutions that appeal to all of their employees

*“**What does 'flexibility' even mean?** I actually think different generations have different definitions of what flexibility means to them. Putting it all together is where the rub is.”*

*“**There’s no one or two things we do that is “the” thing to do** – we have to approach things in a much more multifaceted way, with **many individual things that are going to be important to different people at different stages** of their careers.”*

*“**The mentality has changed** – esp. regarding opportunities for promotions: If there is an opportunity to advance at a competitor, folks are willing to take that.”*

45% of respondents cite changing worker expectations[1] as a trend that will most impact their organization over the next ~1 to 2 years

*"How do you **keep your culture alive**?"*

***"Different generations have different perspectives** of what "work" is and what that means. **How do we address that**?"*

***"This is the first generation [of leaders] concerned about their workforce and how to make it work;** the previous approach was, you join a firm and fit in or don't. Many now ponder, who are my employees and how do I keep them happy?"*

45%

of respondents expect changing worker expectations to impact their organizations near-term

*"This is especially tricky for the younger generation workforce. **We've definitely noticed a generational shift in terms of the expectations of what the employer provides. That is to say, they expect more – even compared to just 10 years ago**. And I don't mean "more" necessarily in salary but in social benefits… It's really about checking a box about a bunch of other parts of yourself. **It's not necessarily a bad thing – if you can find the right balance as a company**."*

*"Everybody wants their own thing and is looking for the company to accommodate that individual thing (whatever that thing is)… and **they're very quick to move if that accommodation doesn't occur the way they think it should**."*

1. E.g., hybrid/remote, flexible hours, well-being support, role of organizations in career development, perks like childcare assistance

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53); MBR Open Forum on April 5th, 2023 (n = 26)

4: Continue to promote policies to attract and retain employers and employees to the state

Employers still see enormous value from remaining in Massachusetts...

- When asked if their organization is considering leaving MA in near-term (the next ~1 to 2 years), no respondent said ‘yes’.
- Those that are considering remaining, relocating, or expanding their presence in MA cite their ability to attract and retain diverse talent (66%) and access to world-class talent (60%) as the most common factors that influence their decisions.
- Interviewees noted how key segments of the economy (e.g., healthcare and life sciences as well as the academic research institutions) continue to attract world-class talent to Massachusetts, which makes it a logical place to do business.

…but fears about the economy and longstanding concerns about the state persist.

- 79% of respondents are concerned about economic risks (e.g., inflation, recession) over the next 1-2 years; 76% expect these to hurt their profits and 52% to hurt their talent pipeline.
- Over half of respondents (52%+) said the cost of living and cost of doing business were factors that would influence their decision to leave or remain in MA, a 1.6-2.0X increase compared to 2022.
- Those that are considering reducing their presence in MA or adding new roles outside of the state cite the cost of living (73%), quality of infrastructure (64%), and business tax (64%) as top drivers of their decisions.

When asked if their organization is considering leaving MA in the next ~1 to 2 years, no respondent said 'yes'

*"I think **talent is still here**, even despite the difficulties."*

*"We expect to grow presence as **MA is a primary growth market for us**. We will hire and expand, but not sure what that'll look like yet."*

*"I also think that **MA as a whole** – and it may be embodied in the city of Boston – the higher level of education drives an **attraction in terms of the educational experiences** that come out of the city and state… The **collaboration that can be possible**…"*

0%

respondents that are planning to move out from MA in the near-term

*"Long-term plan is to **grow Boston faster** than other states."*

*"**Boston is called our HQs, but it doesn't have to be**, to be honest. [We choose to be here]."*

*"**Boston is one of premier cities in America.**"*

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

79% of respondents are concerned about economic risks over next ~1 to 2 years, with majority expecting negative impact on profits and talent

Top 3 trends and situations selected as most likely to impact organizations over the next ~1 to 2 years,
% of total responses[1]

Expected impact on profits and talent pipeline,
% of respondents that selected "economic risks"

76% *expect economic risks to* ***worsen their profits***

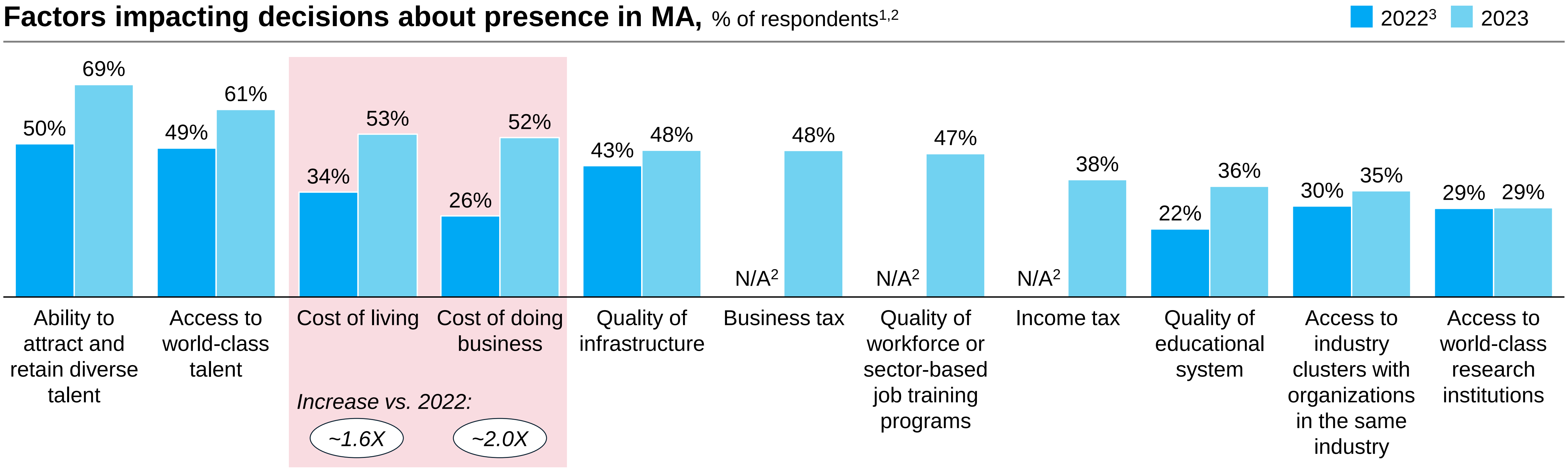
52% *expect economic risks to* ***worsen their ability to hire and retain attractive talent***

1. Sum of responses might not equal 100% as respondents could rank up to 3 options. 2. E.g., inflation, recession 3. E.g., hybrid/remote, flexible hours, well-being support, role of org. in career dev., perks like childcare assistance

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)

52%+ selected costs of living and doing business as factors impacting decisions about MA presence, representing ~1.6-2.0X increases vs. 2022

Factors impacting decisions about presence in MA, % of respondents[1,2]



*"The city itself is a huge attraction – people love Boston! **People think highly of the place but can't imagine living here due to not being able to make the financials work.**"*

*"We do a lot of benchmarking with other sites across [our org], and **Boston's cost is always 7-10X. It's not even in the ballpark.** And then you start tying in different permits required in Boston but not anywhere else… [That's] additional time needed."*

1. Responses that selected "don't know" or didn't select any options were not included in calculations
2. Options not included in 2022 survey
3. 2022 source: MBR Future of Work, Workforce Dynamics and MA Competitiveness Survey 2022, March-April 2022 (n = 44)

Source: MBR 'Massachusetts Talent and Competitiveness 2023' Survey, March-April 2023 (total n = 53)